

# **KOUKAMMA LOCAL MUNICIPALITY**



## **Municipal Annual Report**

**2010/2011**

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# **PART 1: Introduction and Overview**

## **A. Foreword by the Mayor**





**Cllr. Samuel Yuso,**  
**Mayor/Speaker,**  
**Ward Councillor 6,**  
**079 6670 110**



**Cllr. Lawrence Nelson**  
**Ward Councillor 8, 082 816 8106**



**Cllr. Richard Kriege,**  
**Ward Councillor 9, 078 522 3811**



**Cllr. Brendan Jantjes,**  
**Ward Councillor 4, 072 0378 762**



**Cllr. Niquanous Pottle,**  
**Ward Councillor 3, 077 0378 762**



**Cllr. Francois Strydom,**  
**PR Councillor, 082 825 6020**



**Cllr. Nomawabo Mtambo,**  
**Ward Councillor 5, 012 0240 433**



**Cllr. Pamela Goniwe,**  
**Ward Councillor 1, 076 183 4181**



**Cllr. Tertius Möhr,**  
**PR Councillor, 082 556 1707**



**Cllr. Cila Reeders,**  
**Ward Councillor 2, 082 561 3015**

**WARD 1**  
Misgund  
Louterwater  
Nuweplaas

**WARD 2**  
Krakeel  
Coldstream  
Joubertina Town  
Brandhoek

**WARD 3**  
Ravina  
Tweerivier  
Heights

**WARD 4**  
Assegaibosch  
Jagdersbos  
Kagiso  
Kareedouw Town  
Mountain View  
New Rest  
Ulitsky

**WARD 5**  
Clarkson  
Woodlands  
Eersterivier  
Die Stal

**WARD 6**  
Koomanbos  
Sandrift  
Stormsriver  
Tsitsikamma National Park  
Bikkeshoep  
Thornham  
Koomanbos



**government  
communications**

Department  
Government Communications & Information Systems  
REPUBLIC OF SOUTH AFRICA

## FOREWORD BY THE MAYOR

**Councillors, Management, Municipal Officials, Local Leadership, Members of the Public, Representatives from our Social Partners, Ladies and Gentlemen**

Today, we are assembled as Council of Koukamma Municipality at Ravinia Community Hall to discharge our legislative mandate as the political leadership in partnership with management and the local community.

This gathering is historic in the life of Koukamma Municipality and the community of Ravinia in particular, as it fosters close ties between the institution and our people through bringing Government to the ordinary residents.

Indeed, this is democracy in action or put differently, this is public engagement in reality. Without any doubt, this session brings our government, where people are and also strengthens the profile of interface between the organisation and our communities.

When we assumed leadership of the institution as Councillors, I declared as the Mayor that we will enhance our interaction with our Communities and also improve the living conditions of the people.

I am pleased to provide an account of the important achievements of our journey thus far without covering everything:

- ✦ **Community Participation**
- ✦ **Local Economic opportunities and Economic growth**
- ✦ **Development of a new library**
- ✦ **Housing development**
- ✦ **Electrification at Guava Juice**

Yes, there were challenges in the institution during 2011, like protests and staff resigning. We are happy and confident to declare that our sacrifices and efforts resulted into the stabilisation of our institutions. We managed to restore the confidence of our people and we believe that we have risen above the challenges. We further believe that we will be able to sustain the current positive trend. All of us are geared towards rebuilding our beloved Koukamma. We laid a solid base for our plans to realise a better life for our people.

I hereby conclude with a noble pledge that we will never abandon or fail the rural poor and destitute of Koukamma Community. Let me thank all my dedicated fellow Councillors, Management and Officials for their committed effort and personal sacrifices that they have made. Let me also thank our people who remained positive and patient through our trying times. I strongly believe that your patience will pay off and we will reap the benefits. Lastly, let me thank our Saviour for his presence, mercy and protection over our Municipality. I hereby present the Annual Report for 2010/2011 financial year.



.....  
**Cllr SM Vuso**  
**Mayor/Speaker**

**"Working together we can do more"**

## **B. The yearly program priorities' statement by the Municipal Manager**

Koukamma Municipality is an integral component of the Republic of South Africa and therefore does not exist in isolation. Based on this understanding, the yearly programme priorities' of Koukamma Municipality are intertwined with those of the National and Provincial Governments including the Cacadu District Municipality.

Given this reality, the following represents the synopsis of the programme priorities' statement by the Municipal Manager on behalf of the Koukamma Municipality:-

A developmental local government places upon a municipality, five strategic areas that represent its core mandate, and Koukamma Municipality is not an exception to the rule. Based on this understanding, an analysis of the performance record of Koukamma Municipality with respect to the strategic areas is shared with a view to provide a better picture of the obtaining situation and the complexity of the inherent challenges facing the organization. In dealing with the analysis, one of the primary focus areas is the provision of basic services which range from infrastructure development, investment and maintenance including enhancement of institutional capacity to provide seamless and diverse waste management approaches, as well as library, parks and recreational services, to name but a few.

The assessment of the performance record of Koukamma Municipality has shown a significant improvement however a major challenge remains in the fields of sustainable provision of quality drinkable and potable water for human consumption, as well as the proper maintenance of the water and infrastructure plants including the improvement in skills base of our water operators. In response to these complex and intricate challenges, and overhaul or complete replacement of the underground cement pipes with pvc pipes has begun and an impressive achievement has been recorded given the financial support of the municipal infrastructure grant. This has undoubtedly contributed to the improved quality of water for human consumption as well as the sustainability of water supply due to the reduction of water leakages. In addition, a concerted effort is under way to explore alternative forms of water harvesting to enhance the institutional capacity to provide clean, quality and drinkable water for households. Likewise, a service provider has been appointed to provide capacity building training to strengthen the skills base of water operators as to conduct proper management and maintenance of the plants. In the same vein, the intervention which was spearheaded by the National and Provincial governments saw improved road network and stormwater drainage systems throughout the jurisdiction of Koukamma Municipality, though there is still a need to revamp and maintain the existing infrastructure to cope with the climatic conditions of our local area as well as the flow or volume of traffic on our roads network.

Over the years, Koukamma Municipality has been faced the challenge of providing sustainable forms of waste management approaches and systems and its inability to find a comprehensive and responsive strategy posed a huge challenge on its shoulders in terms of providing a clean and healthy environment for the local communities. It must however be acknowledged that a tide has been turned as Koukamma Municipality managed to keep its local communities clean and healthy, though continues to be confronted by the challenges of vehicle shortage and unhealthy state due to ageing and lack of proper maintenance. It is against this context and background that recycling is explored in line with the greenfields protocols as well as providing business opportunities to local companies and communities whilst ensuring a clean and healthy local environment.

## **C. OVERVIEW OF THE MUNICIPALITY**

### **GEOGRAPHICAL AND DEMOGRAPHIC PROFILE**

The Koukamma Municipality extends 3 575.17 km<sup>2</sup> and falls within the Cacadu District Municipality area, in the Eastern Cape Province. It is predominantly a rural Municipality although during the last 3 years there has been a trend towards urbanisation with 50.9% of the population being urbanised (as opposed to 25.45% in 2006). The Municipality is bordered by:

- Baviaans Local Municipality to the North
- Kouga Local Municipality to the East
- Bitou Local Municipality to the West (Western Cape)

The area is made up of the Western Coastal Zone, including settlements such as Coldstream, Storms River and Clarkson (Wards 4 and 5), and the Langkloof, including settlements such as Kareedouw, Joubertina and Louterwater (Wards 1, 2 and 3), and the nature of the two areas differ vastly.

The Coastal Zone is characterised by:

- A diverse and fast growing economy driven by tourism and agriculture
- A fast growing population linked to the economic opportunities
- Indigenous forests
- Holiday destinations
- Good water supply

In contrast, the Langkloof is characterised by:

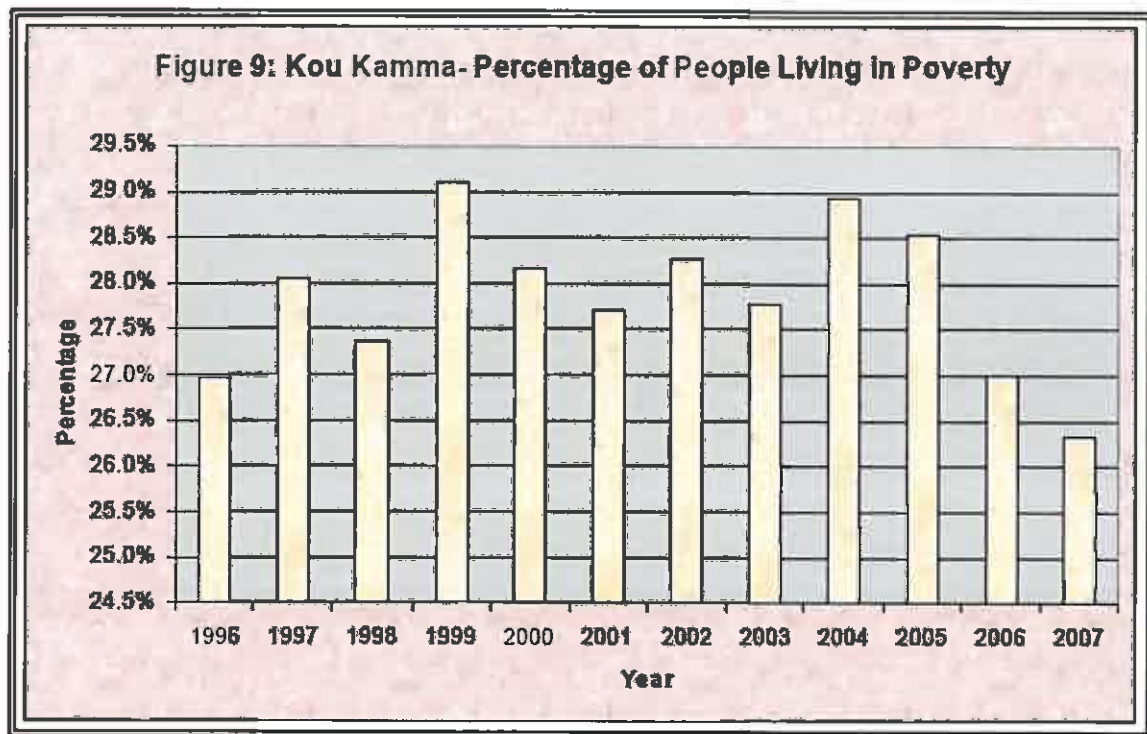
- Agriculture with high labour requirements often seasonal in nature.
- The area has greater challenges in terms of sufficient water supply, with additional pressure due to a high population growth related to migrant labour.

A graphical representation of Koukamma Local Municipality is illustrated by the map overleaf. Information contained within this socio-economic profile is based on the Global Insight database.



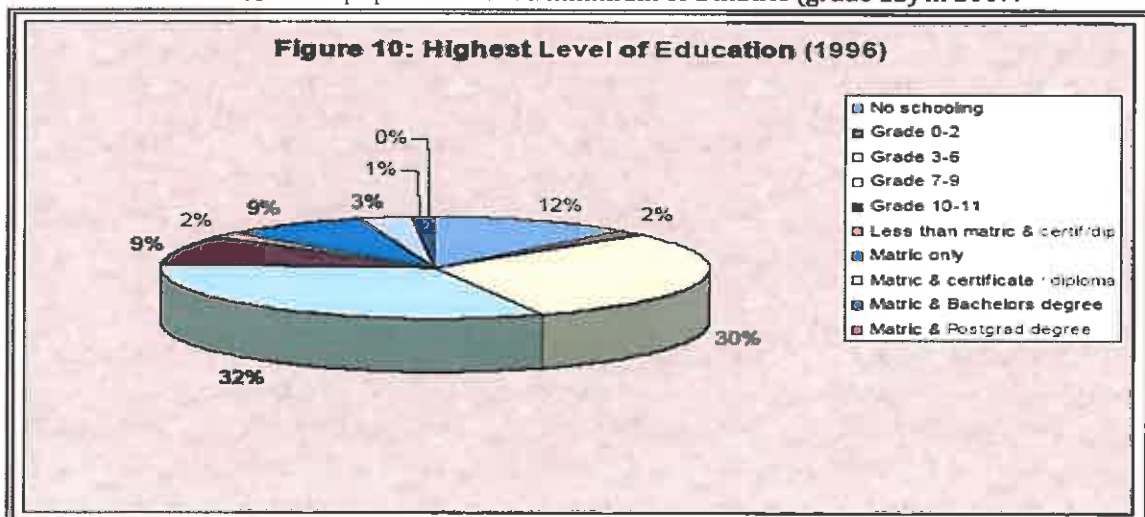


The percentage of people in poverty has decreased from 27% in 1996 to 26.3% in 2007 representing a total population of 10 715 living in poverty.



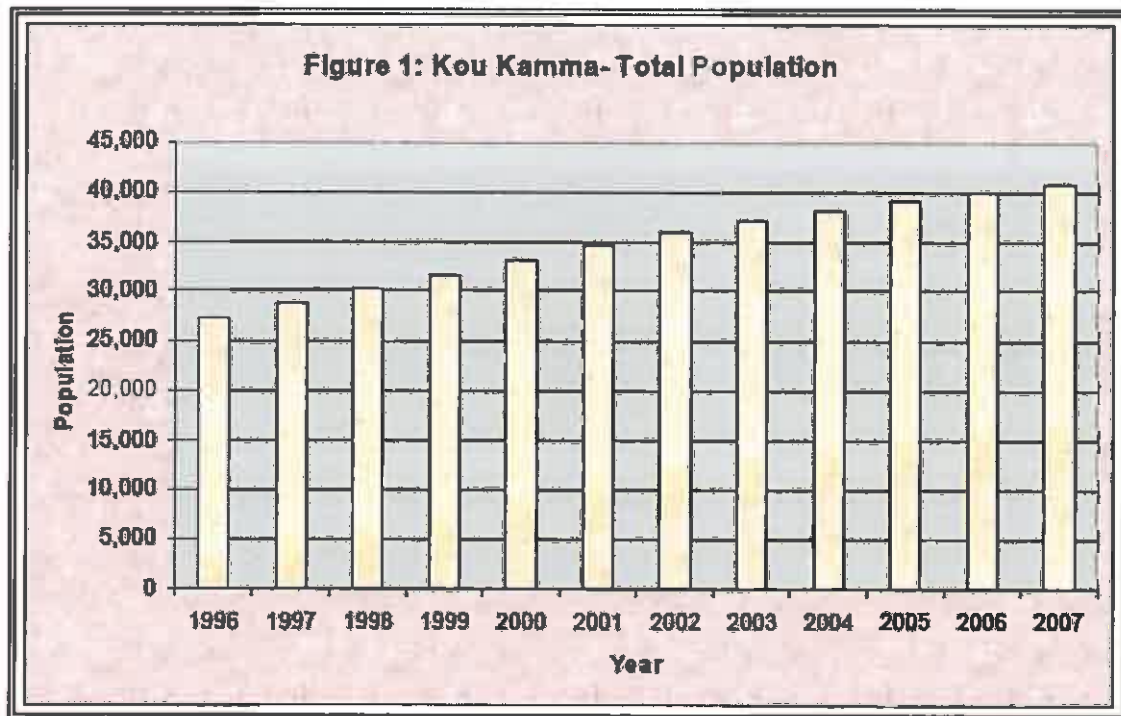
## Education

The level of education composition reveals that there has been an increase in higher levels of schooling within Koukamma 13.11% of the population had a minimum of a matric (grade 12) in 1996 whereas 18.15% of the population had a minimum of a matric (grade 12) in 2007.

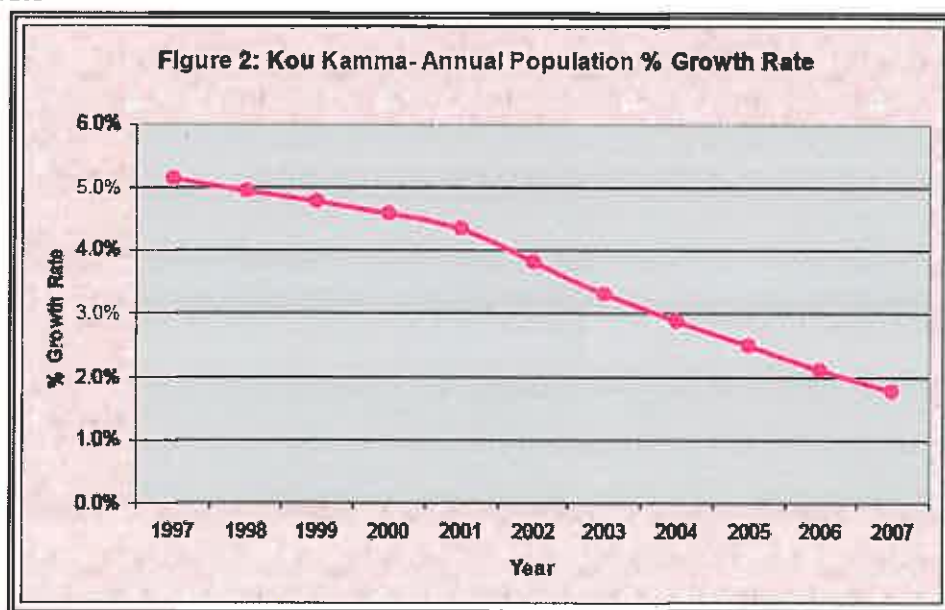


## TOTAL POPULATION

The total population of Koukamma was 40 674 in 2007.

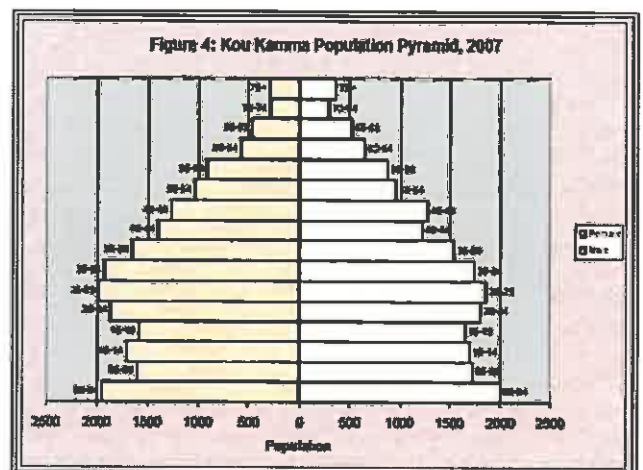
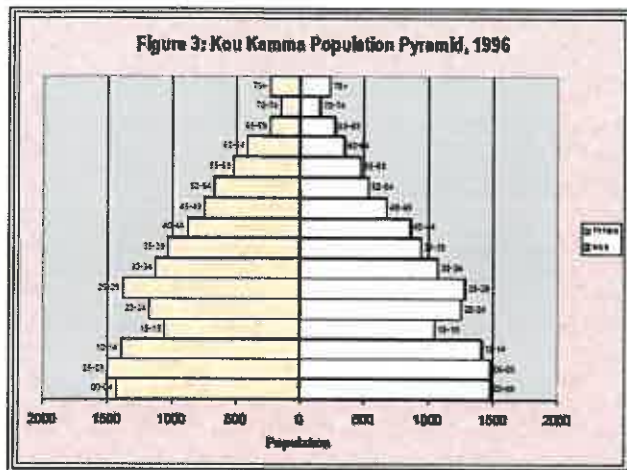


Since 1996, the population of Koukamma increased at an average annual rate of 3.6% per annum compared to an annual average growth rate of 1.1% within the Cacadu District and a 0.3% provincial growth rate



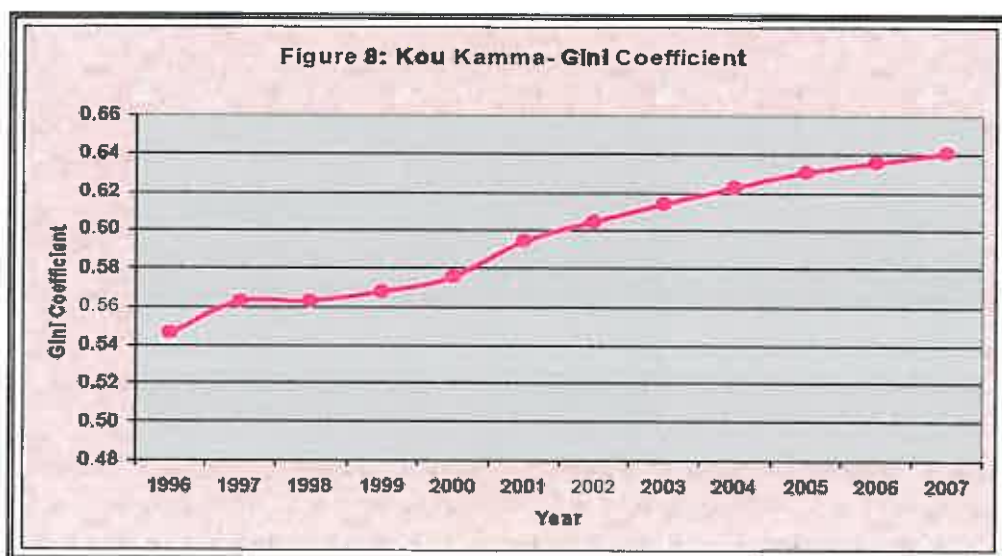


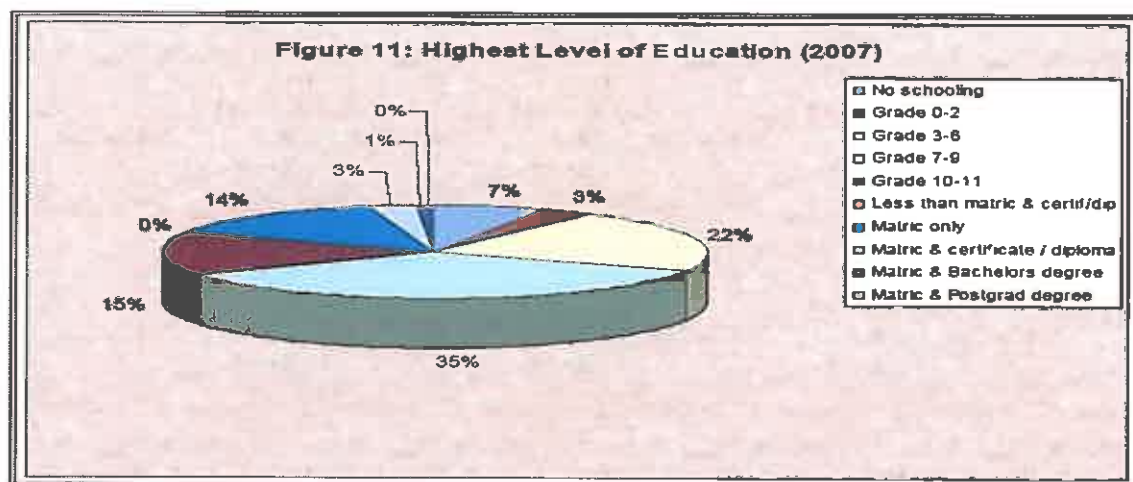
The population pyramids below indicate the age structure per gender group in Koukamma for the years 1996 and 2007. In 2007, children under the age of 15 accounted for approximately 26.27% of Koukamma's population whereas, in 1996, children under the age of 15 accounted for 31.64% of Koukamma's population which is reflective of the decline in year on year population growth rates within Koukamma.



### Poverty Trends

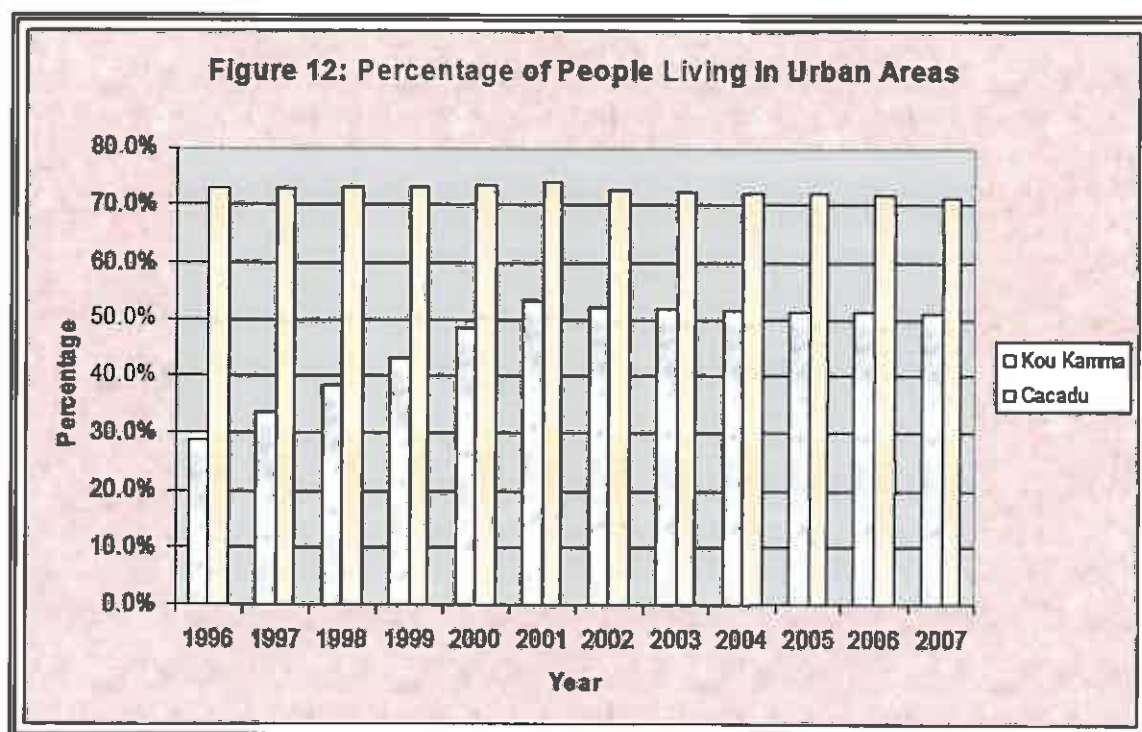
The Gini coefficient is a summary statistic on income inequality which varies from 0 (in the case of perfect equality where all households earn equal income) to 1 (in the case where one household earns all the income and other households earn nothing). The coefficients for Koukamma, as indicated in the diagram below, indicate that the distribution of income in Koukamma has worsened between 1996 and 2007 from 0.55 to 0.64.





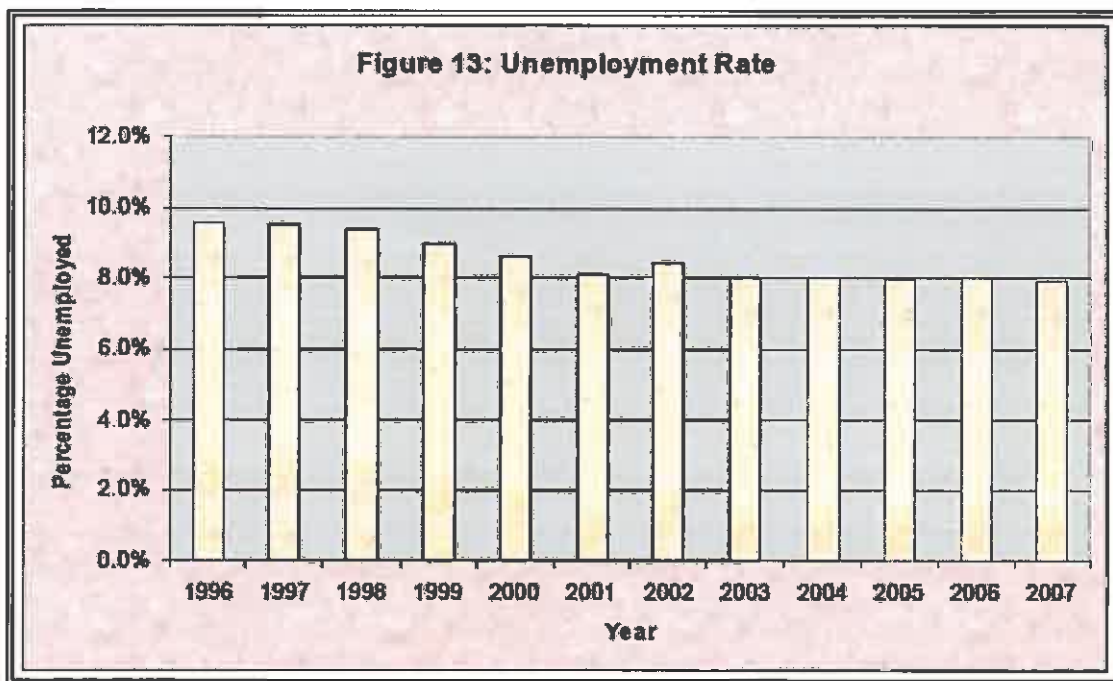
## Urbanisation

In 2007, Koukamma was 50.9% urbanised as compared to 71.4% for the Cacadu District.

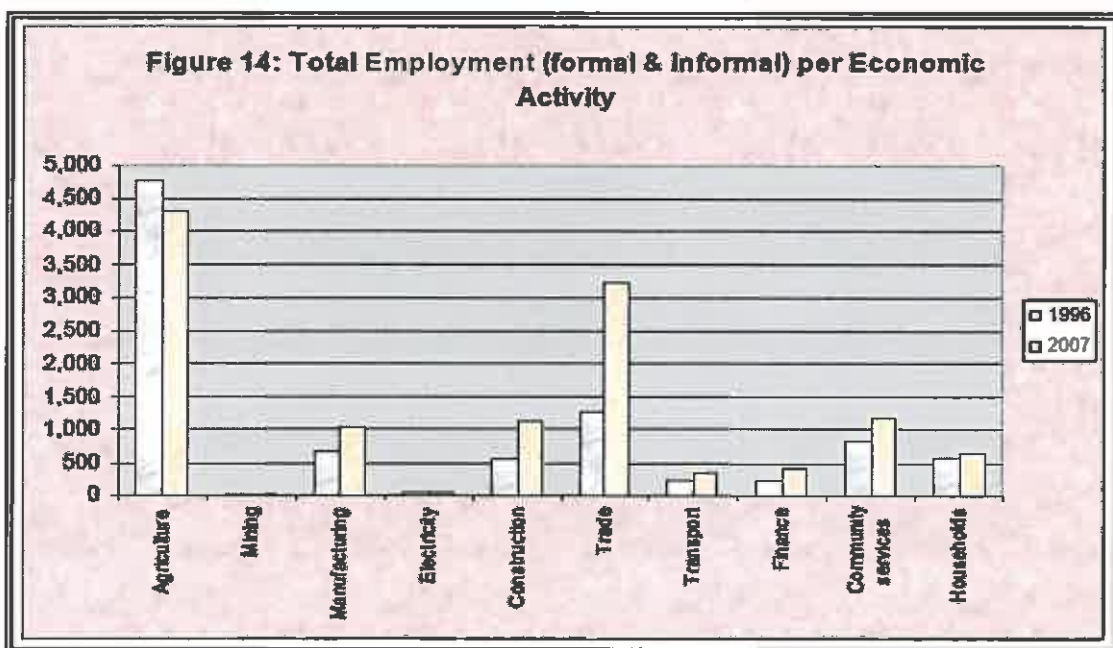


## Unemployment

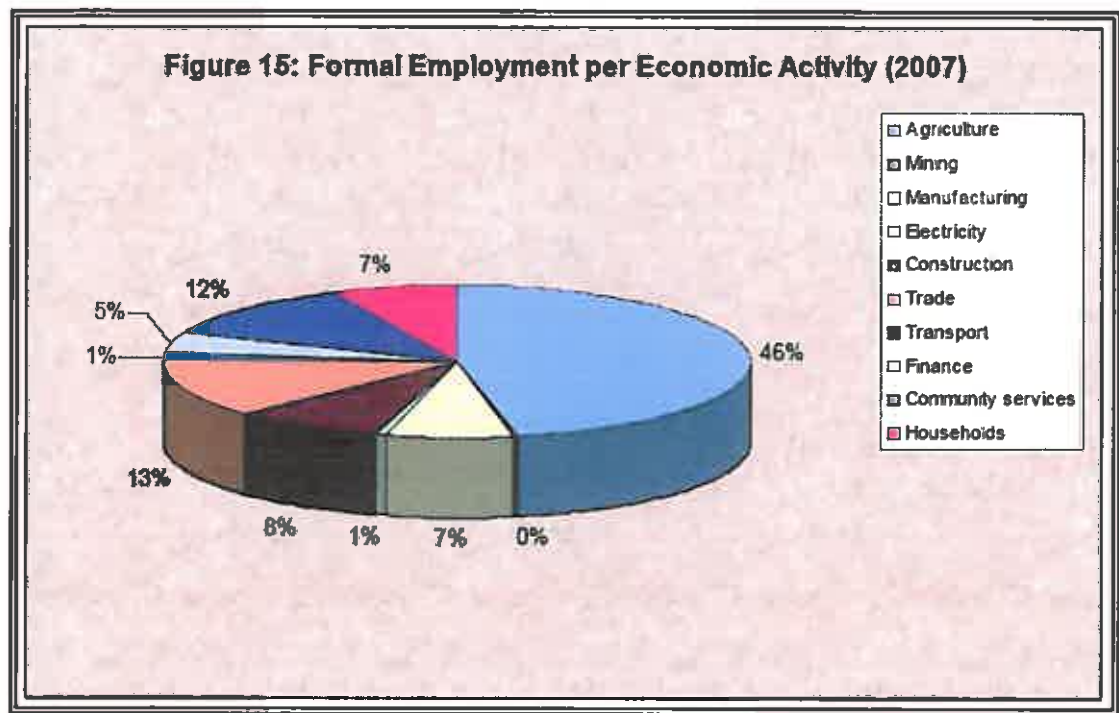
The percentage of people unemployed within Koukamma in 2007 is 7.9%. There has been a gradual decrease in the unemployment rate from 1996 which originally stood at 9.6%.



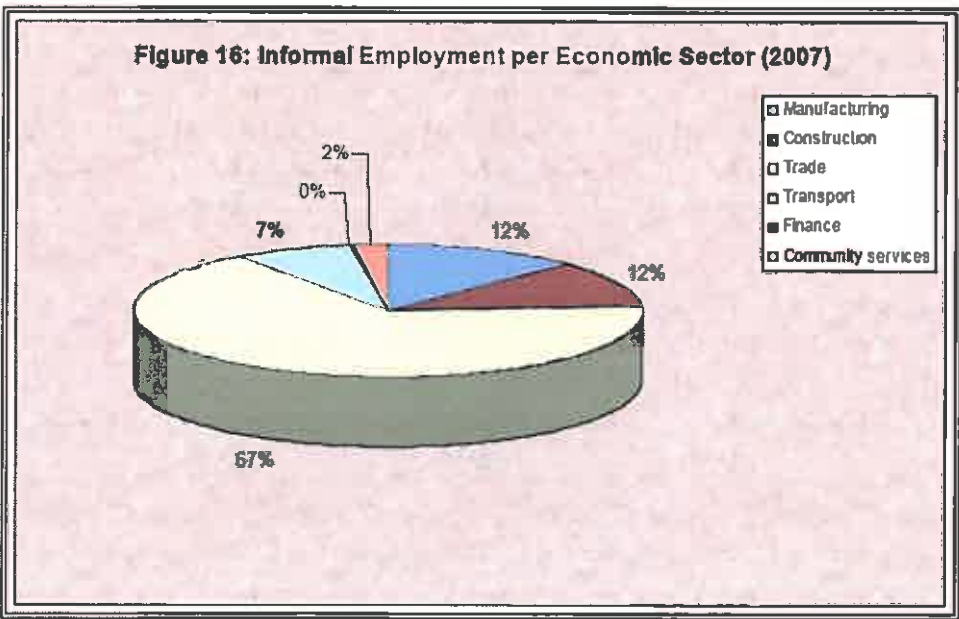
Total employment within Koukamma is dominated by the agricultural sector comprising 34.93%.



The highest levels of employment in the formal sector are in the Agricultural sector (46%) and the Trade sector (13%).

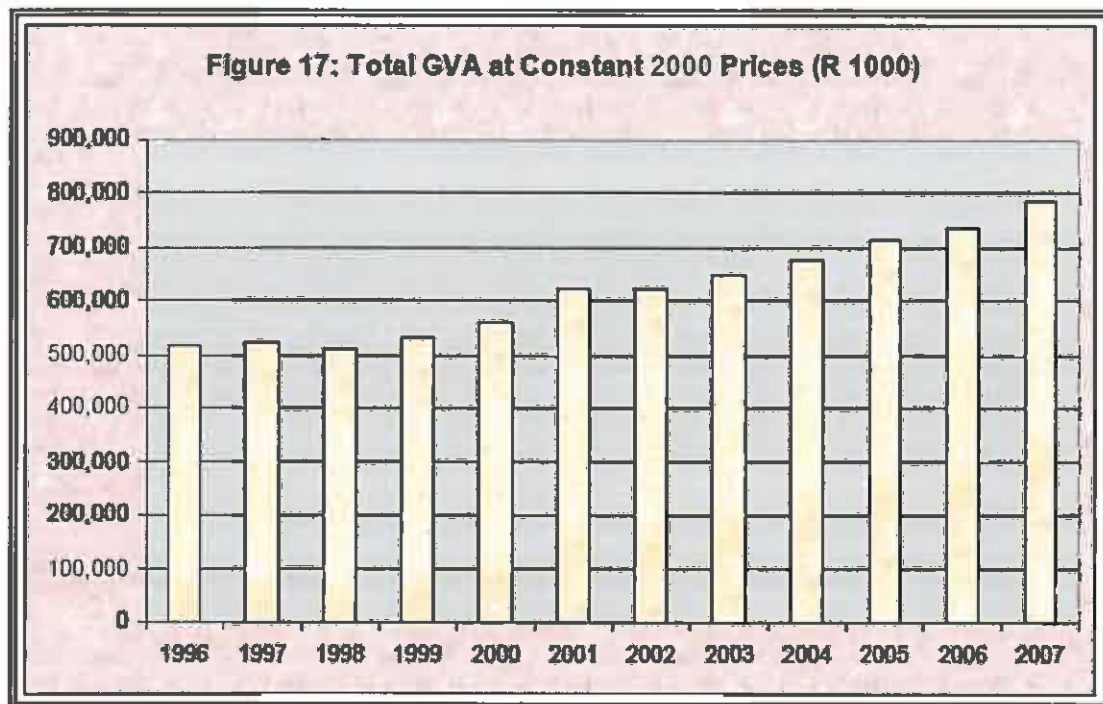


The dominant sector in the informal sector is day to day trading which accounts for 67% of informal sector employment.

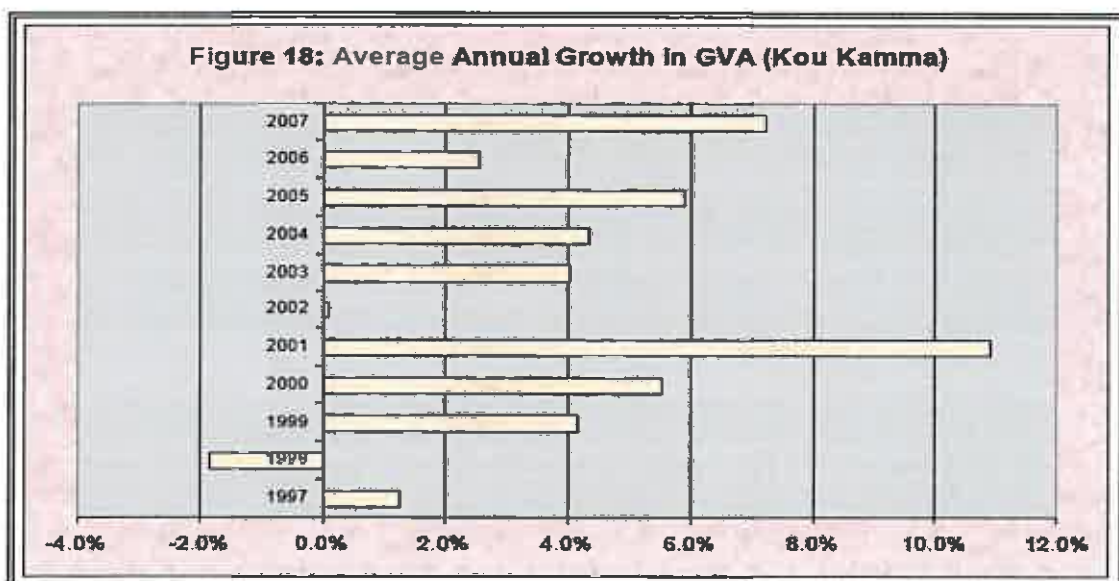


## Main Economic Activities

Year on year GVA at constant 2000 prices is reflected by the diagram below.

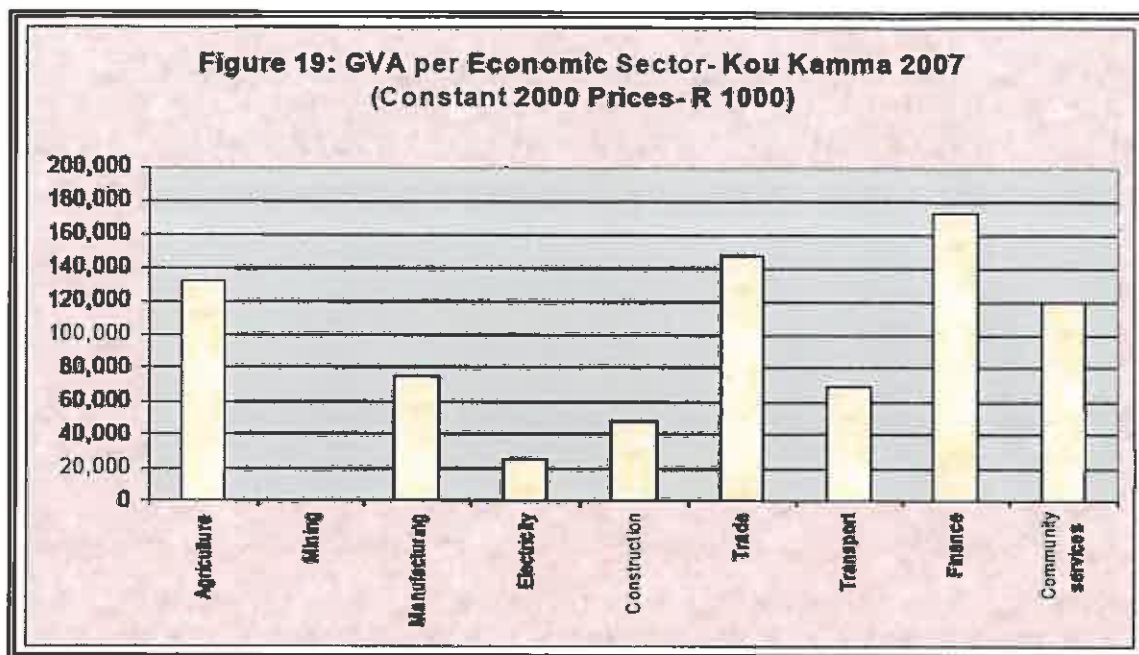


Koukamma's economy registered positive growth during the past decade. Given the widespread poverty, Koukamma will have to maintain its growth rate to have a significant improvement in welfare indicators.

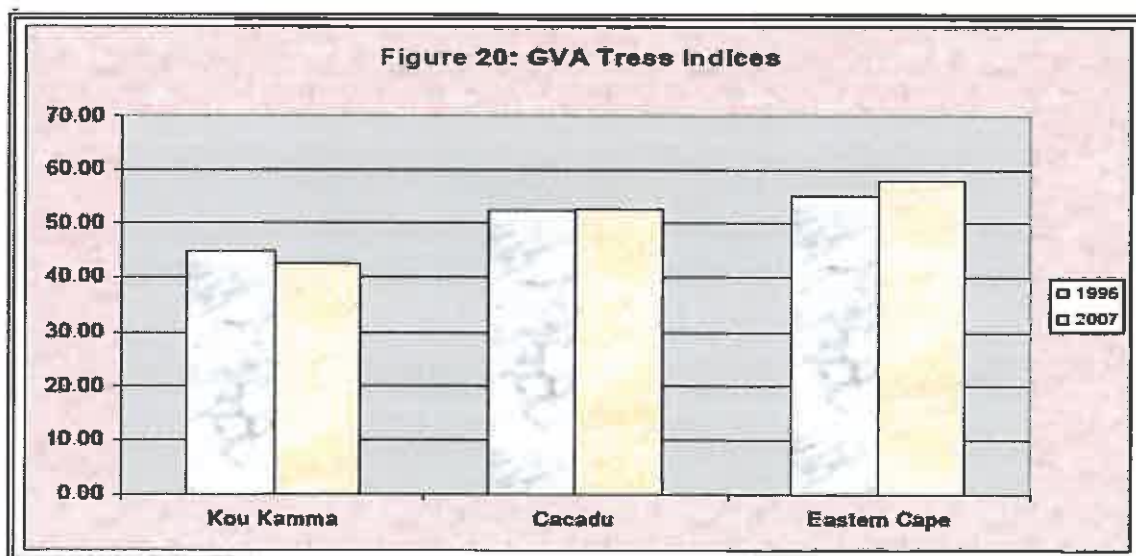




GVA per broad economic sector for Kou Kamma is illustrated by the diagram below.



The tress index indicates the level of diversification or concentration in an economy. A tress index of zero represents a totally diversified economy. On the other hand, the higher the index (closer to 100), the more concentrated or dependent on a few economic sectors and more vulnerable the region's economy to exogenous variables such as adverse climatic conditions, commodity price fluctuations, etc. The economic production structure of Koukamma is more diversified as compared to the Eastern Cape Provincial economy. The level of vulnerability for Koukamma has remained relatively constant between 1996 and 2007 as indicated by the diagram below.



## **D. Executive Summary**

This represents the executive summary of the activities that illustrate the strategic areas of focus for the Koukamma Municipality. It is not the intention of this section to elaborate and therefore exhaust the matters however a synopsis of the strategic priorities that constitute the activities undertaken in the financial year under review, are outlined below:-

### **(a) National Framework**

#### **(i) Sustainable Rural Development and Livelihoods**

- Agricultural Revolution
- Forestry Sector
- Fisheries
- Land ownership, access, optimal usage and management

#### **(ii) Tourism Development and Environmental Management**

- Green Field Industries and Climate Change Programme (Millennium Goals)
- Integrated Tourism Strategy and Plan (Diversification and Product Marketing)
- Coastal Management and Investments
- Enterprise Development, SMME and Cooperative Organisations or Movement
- Alternative Renewable Forms of Energy

#### **(iii) Industrial Development Strategy**

- Trade Relations and Infrastructure Investments (IDZ)
- Economic Leverage of Natural Resources and Local Beneficiation
- Transport Network and Interconnections (Rail, Road, Air, Sea)
- Manufacturing Investment, Diversification and Beneficiation
- Integration and Alignment of Urban and Rural Economic Nodal Anchors
- Local Business Empowerment and Massive and Diverse Employment Creation

#### **(iv) Expanded Public Works Interventions and Programme**

- Local Business Empowerment and Massive and Diverse Employment Creation
- Targeted Training and Learnerships (HRD Strategy, Scarce Skills)

### **(b) Provincial Context**

#### **(i) Agrarian Transformation and Food Security**

- Integrated Agricultural Infrastructure Programme
- Massive Food Programme

- Siyazonda Homestead Food Production Programme

**(ii) Poverty Eradication (Fighting Poverty)**

- Expanded Public Works Programme
- Water and Sanitation Programme
- Human Settlement Restructuring (Housing Programme)
- Comprehensive HIV and AIDS Programme

**(iii) Public Sector Transformation**

- Local Government Capacity Building Programme
- Improved Service Delivery (Health, Education and Social Development)

**(iv) Manufacturing Diversification and Tourism**

- Enterprise Development Finance Programme
- Agro-Processing Support Programme
- Tourism Programme
- Timber Industries Development Programme
- Industrial Support Programme
- Information and Communication Technology Development Programme

**(v) Infrastructure Development**

- Strategic Infrastructure Programme

**(vi) Human Resource Development (Human Capital)**

- FET Transformation Programme
- Scarce Skills for Public Sector Programme (Local Government)
- Adult Basic Education and Training Programme
- Early Childhood Development Programme
- Comprehensive HRD Strategy
- Provincial Learnership Programme

**(c) Local Koukamma Municipal Priorities**

**(i) Municipal Transformation and Institutional Development**

- Institutional Arrangements, Alignment and Functioning
- Municipal Integrated Development Planning (IDP and SDBIPs)
- HRD Strategy (Training, Learnerships, ABET)



- Organisational Performance and Review Planning Processes
- Monitoring and Evaluation Mechanisms

**(ii) Basic Service Delivery and Infrastructure Investment**

- Water Quality, Sufficient Bulk Water Supply and Treatment Plant Maintenance
- Energy Provision (Alternative Renewable Energy and Environmental Responsive)
- Transport Network (Roads and Rail)

**(iii) Local Economic Development**

- Tourism Diversification and Investment
- Agricultural Growth and Investment
- Forestry (Energy, Furniture)
- Coastal Management and Fisheries
- SMMEs and Cooperative Movement/Organisations
- Enterprise Development and Entrepreneurship Investment
- Local Community Empowerment

**(iv) Good Governance and Public Participation**

- Legislative Compliance and Policy Choices
- Audit Analysis State and Quality Assurance (AG and Annual Reports)
- Stakeholder Formations and Engagement (CBOs, NGOs, Ward Committees)
- King 3 Report on Good Governance Practices

**(v) Financial Viability, Management and Sustainability**

- Fiscal Discipline and Policy Framework (MFMA)
- Revenue Enhancement Strategy and Debt Collection Mechanisms
- Creditors (Business Stakeholder Contract Management)
- Investment Arms and Financial Management Ratings
- Affirmation of Business or Financial Sector Confidence

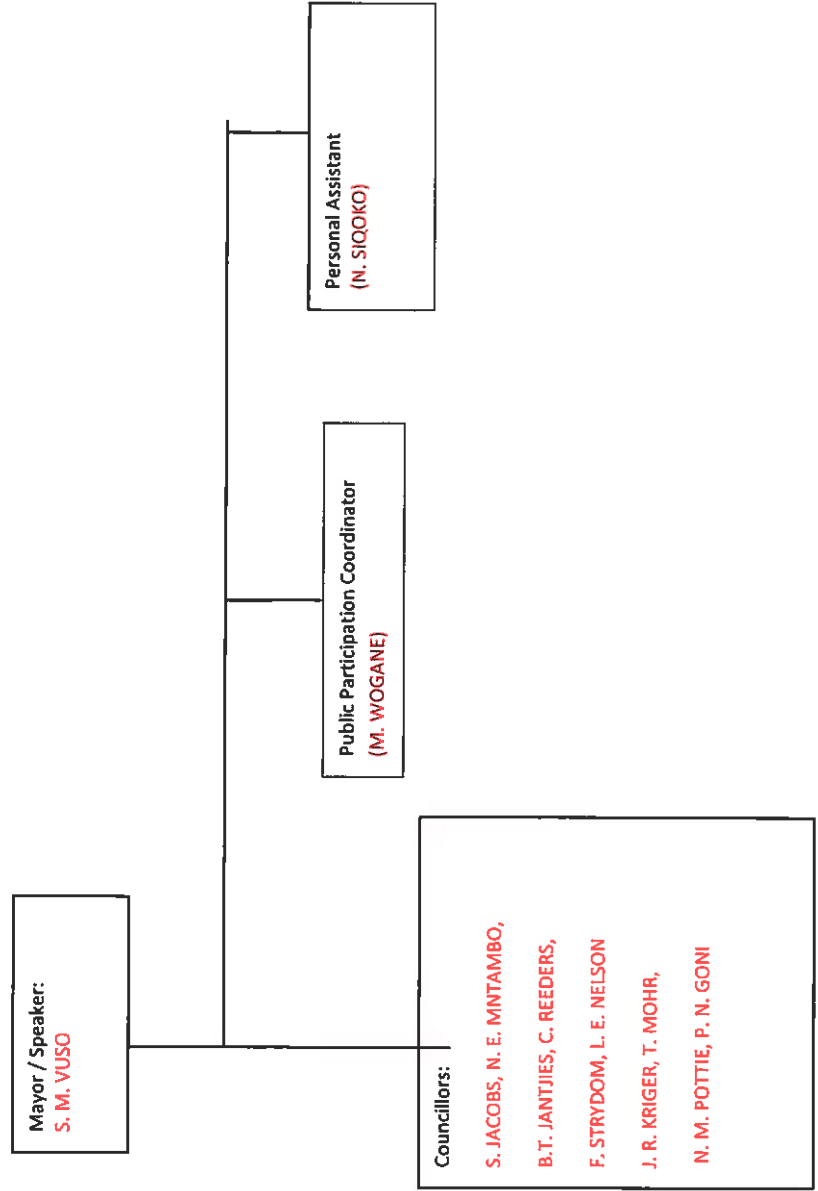
# PART 2: KPA ACHIEVEMENT REPORT

## Chapter 1: Human Resource and other Organization Management

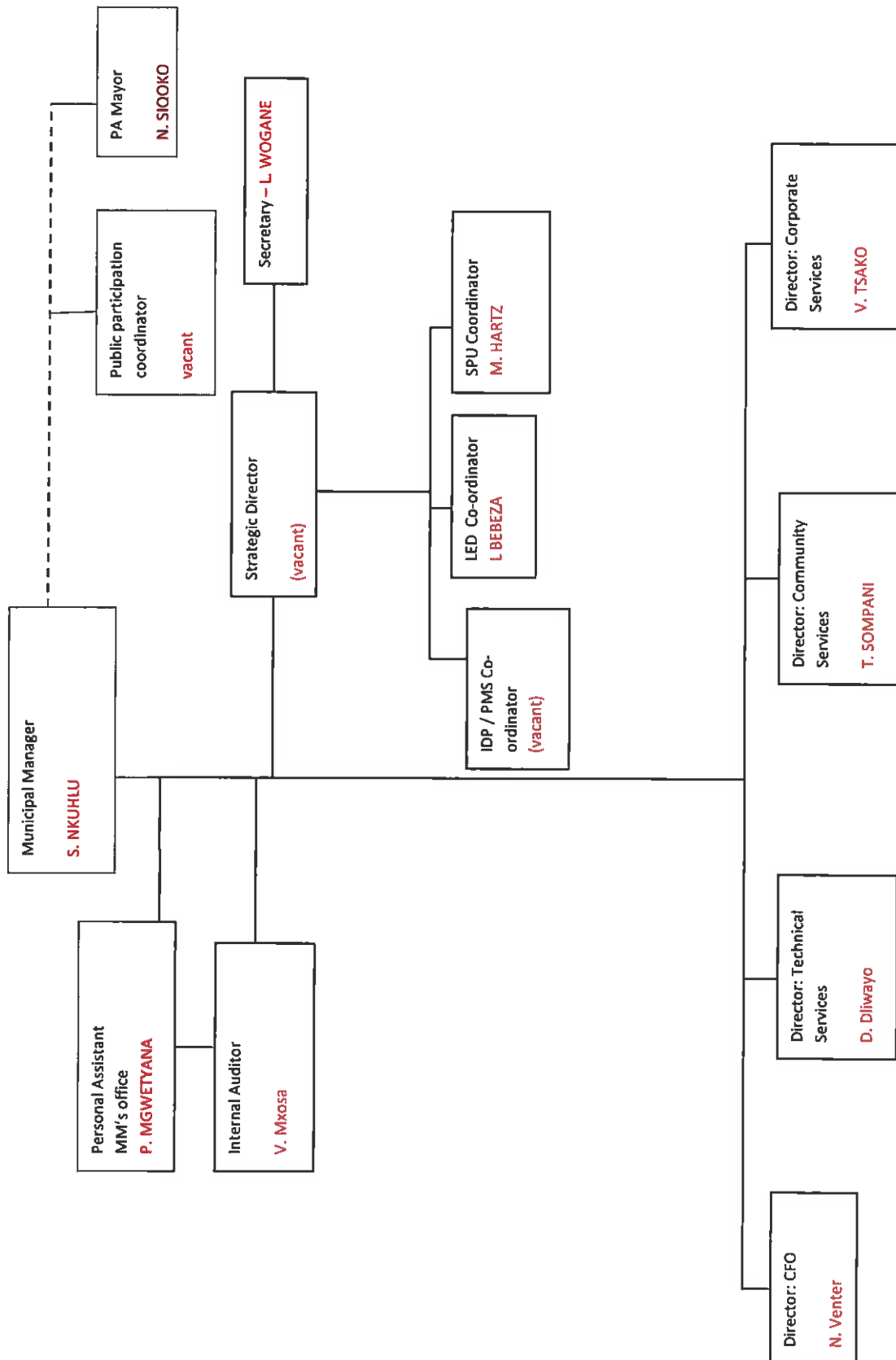
### 1.1 KOUKAMMA'S ORGANISATIONAL STRUCTURE

Below is the updated organisational structure of Koukamma Municipality 2010/2011:

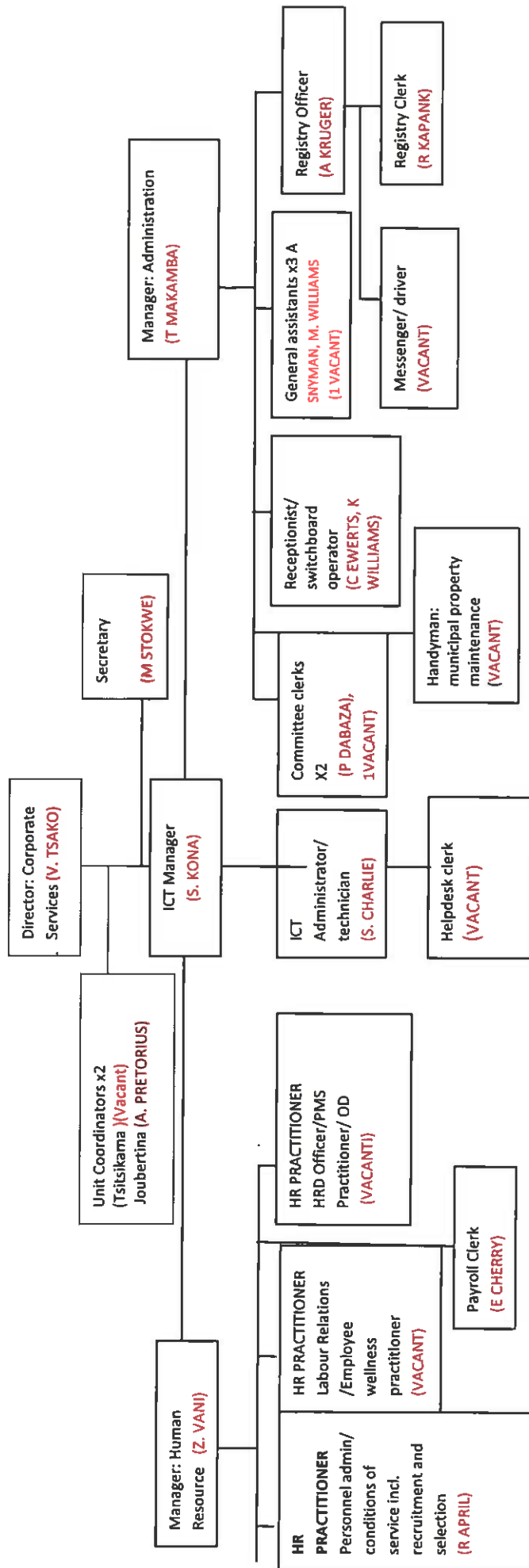
#### OFFICE OF THE MAYOR



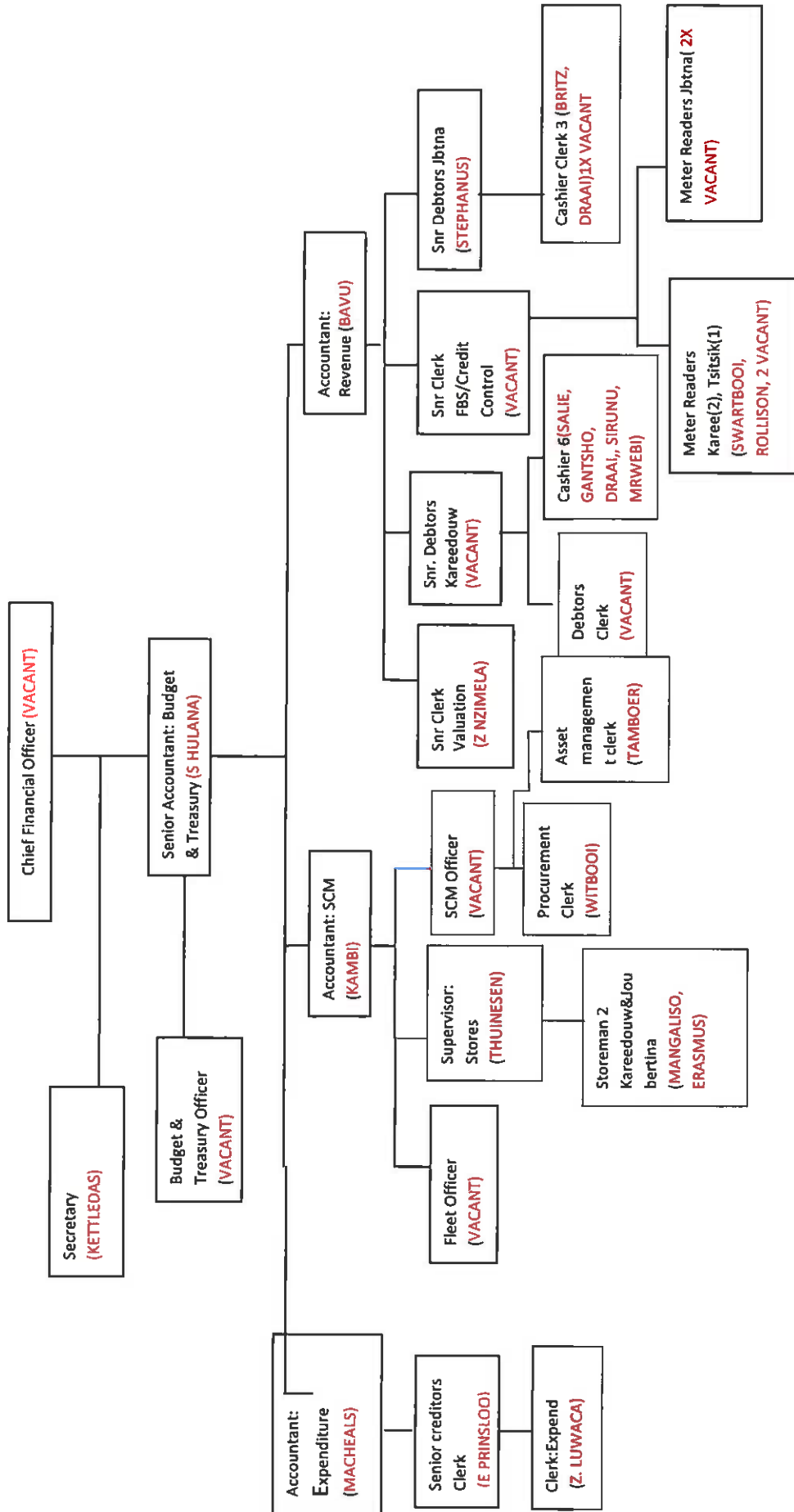
## OFFICE OF THE MUNICIPAL MANAGER



## CORPORATE SERVICES



## Budget and Treasury



# **SOCIAL AND COMMUNITY SERVICES**

**DIRECTOR: COMMUNITY SERVICES (MR SOMPANI)**

**Secretary (CSNYDERS)**

**MANAGER: SOCIAL AND COMMUNITY SERVICES (J RUITERS)**

**MANAGER: PROTECTION SERVICES (VACANT)**

**Waste Management**

**2X Supervisors (Joubertina, Karredouw)**  
**MOSS, YONA**

**3 x Drivers (Joubertina – Humat, Tsitsikama – Makwela, Karredouw – VACANT)**

**7 Tipsite operators (Louterwater – S Pin, Joubertina – D Jafa, Karredouw – R Bampies, Woodlands – P Ncandani, Coldstream – A Pedro), Vuso (Clarkson and Krakieel) –**

**Environmental health**  
**NORMAN**

**Service to be provided by CDM**

**9 Runners (Joubertina – S Abrahams, V Abrahams, A Krige, Tsitsikama – E Bambiso, S Sotha, Mthwa; Karredouw – 3 vacant)**

**4X Assistant Librarians (Kemp, Kleinbooi, Toyi, Toyi B)**

**2X Supervisor (Karredouw, Joubertina – Moss, Yona)**

**11 X Caretakers – cemeteries and community halls (vacant) Temp arrangement**

**2X General Assistants – Public toilets (Karredouw – R Ruiters, 1X Joubertina Vacant)**

**Public Amenities**

**Parks and Recreation**

**2X Supervisor (Karredouw, Joubertina) – Moss, Yona**

**10X (Weed eaters operators) De Bruyn, Sifu, Booyesen, Nuwegeld, 6 vacant)**

**Tractor Driver – Koukamma 1 (Masimela)**

**General assistant/gardner X9 (vacant)**

**Superintendent: Traffic services (VACANT)**

**Supervisor – administration (DLTC) – (vacant)**

**Assistant Superintendent – (Karredouw – Floors, Tsitsikama – Bande, Joubertina – Julius)**

**3 Traffic officers (Karredouw – Mntambo, Joubertina – Tshambo, Tsitsikama – Cunningham)**

**Filling clerk – vacant, General ass (Camphor)**

**Examiner for drivers license X2 – Oliviers**

**Platoon commander: Karredouw (Songelwa, Joubertina – vacant, Tsitsikama – vacant)**

**3 X Freighters (Kees, Krige, Mntambo)**

**3 X Learner fire fighters (vacant)**

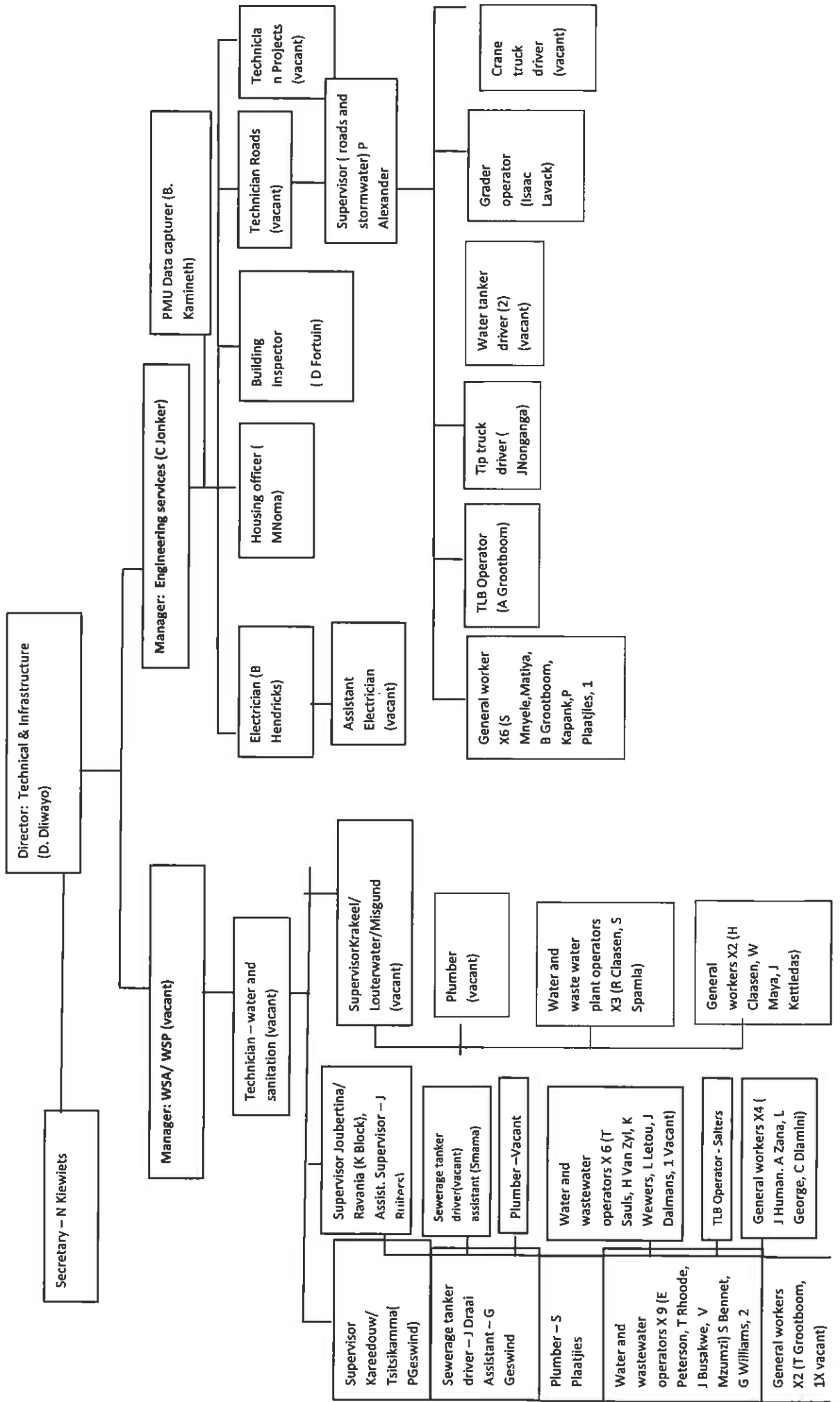
**Examiner for learners license - Malangeni**

**Cashier - April**

**Station Commander (PETERSON)**

**Disaster Management – function performed by CDM on agency basis**

# **ORGANOGRAM: TECHNICAL SERVICES**



- The total Number of approved posts of the entire institution: 257
- The total number of vacant posts in the entire institution: 95
- Number of performance agreements and employment contracts of MM and Section 57 Managers submitted to the Department: 4

## 1.2 STAFF DEVELOPMENT INITIATIVES DURING THE FINANCIAL YEAR

The Municipality undertook the following Training:

- **ABET**

Koukamma Municipality have entered into a service level agreement with Media Works Interactive Tutor Cape (Pty) Ltd, providing computerised communication in English level one, two and three and numerous studies to employees who were previously disadvantaged, and didn't get opportunities of getting good quality education.

When the program started Koukamma had forty three (43) candidates interested in participating on the program, which was divided as follow:

Kareedouw	6	Krakeel	6	Woodlands	2
Joubertina	16	Louter water	3	Sandrift	2
Clarkson	1	Storms River	3	C/Stream	4

Total = 43 employees

The cost per learner is R2985.00

Koukamma Municipality is Funding the Program.

The numbers have reduced into thirty three (33) and the seven from those didn't even begin the program, about four (4) are potential drop outs, because they have not been attending for two weeks now.

The biggest challenge is Joubertina, They were supposed to be the biggest group, but they have the poorest attendance than the other groups. The facilitator feels that there is a lot of intimidation amongst the groups, especially for those who attend poorly, but for those who are committed to the program they find it very interesting.



Some of the Learners who are not attending claims that they cannot attend due to high work demands.

No Learner Commitment contracted where signed before the preceding of the course, meaning that the learners are aware that there is no binding contracts between them and the Institution.

- **LEARNERSHIP**

There is Water Quality Management learnership which is in NQF3 level, with sixteen (16) learners members participating in it.

We are supposed to roll out Road Construction and Community House Building with fifty (50) learners in each in 2011/2012 financial year , the Municipality is waiting for the response of LGSETA, as they will be the funders.

- **INTERNSHIP**

Finance Department have four (4) intern, HR Department have one (1) internal are funded by FMG.

- **OTEDP**

This is a learnership of Education and development, sponsored by the LGSETA, initially two of our employees are attending this program, but only one of them is still attending it, due to unforeseen matters. .

- **CPMD**

Two Directors, Middle Manager have and still are attending this program at Wits in JHB. The HR Office is still awaiting response from Wits and NMMU for those who have not yet attended.

- **LGAC**

Six of our Clerks/Cashiers have attended this Training, and one didn't finish and two graduated. The next intake is on the 17 January 2012, three of our employees are attending.

- **VIP LEAVE ADMINISTRATION TRAINING**

Two of our employees attended this training in June 2011.

- **EXCELLENCE SERVICE TRAINING**

Two of our officials attended this training.

- **STOCK TAKING**

Four employees attended the above course

- **MFMA**

Four employees attended this course

### 1.3 KEY HR STATISTIC PER FUNCTIONAL AREA

#### 1.3.1 FULL TIME STAFF COMPLEMENT PER FUNCTIONAL AREA

##### a. MM/Section 57 and Line Manager

	Approved position	Number of approved and budgeted posts per position	Filled Posts	Vacant posts
1.	Municipal Manager	1	1	0
2.	Strategic Director	1	0	1
3.	Corporate Director	1	1	0
4.	Director: Community Services	1	1	0
5.	Director: Technical	1	1	0
6.	Chief Financial Officer	1	1	0

**b. Office of the MM**

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled Posts</b>	<b>Vacant posts</b>
1.	PA: MM's office	1	1	0
2.	Internal Auditor	1	1	0
3.	Strategic Director	1	0	1
4.	Public Participation Coordinator	1	0	1
5.	PA: Mayor	1	1	0
6.	Strategic Director: Secretary	1	0	1
7.	IDP/PMS Coordinator	1	1	0
8.	LED Coordinator	1	1	0
9.	SPU Coordinator	1	0	1

**c. Community Services:**

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled Posts</b>	<b>Vacant posts</b>
1.	Manager	1	1	0
2.	Superintendent: Langkloof	1	0	1
3.	Superintendent: Kareedouw	1	0	1
4.	Superintendent: Tsitsikamma	1	0	1

5.	Supervisor	3	2	1
6.	Driver	4	2	2
7.	Runner	18	6	12
8.	Tip site operator	9	3	6
9.	General worker	2	0	2

**d. Budget and Treasury:**

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled Posts</b>	<b>Vacant posts</b>
1.	Secretary	1	1	1
2.	Budget & Treasury Officer	1	0	1
3.	Senior Accountant	1	1	0
4.	Accountant Expenditure	1	1	0
5.	Accountant SCM	1	1	0
6.	Accountant Revenue	1	1	0
7.	Seniors Creditors Clerk	1	1	0
8.	Fleet Officer	1	0	1
9.	Supervisor: stores	1	1	0
10.	SCM Officer	1	0	1
11.	Snr Clerks Valuation	1	1	0
12.	Snr Debtors Kareedouw	1	0	1
13.	Snr Clerk FBS/Credit Control	1	0	1
14.	Snr. Debtors Joubertina	1	1	0

15.	Clerk Expenditure	1	1	0
16.	Storeman	2	2	0
17.	Procurement Clerk	1	1	0
18.	Asset Management clerk	1	1	0
19.	Debtor Clerk	1	0	1
20.	Cashier	6	5	1
21.	Cashier Clerks	3	2	1
22.	Meter readers	2	1	1

**e. Corporate Services**

	<b>Approved positions</b>	<b>Number of approved and budgeted posts per position</b>	<b>Filled Posts</b>	<b>Vacant posts</b>
1.	Unit Coordinator	2	1	1
2.	Secretary	1	1	0
3.	HR Manager	1	1	0
4.	ICT Manager	1	1	0
5.	Admin Manager	1	1	0
6.	HR Practitioners	3	1	2
7.	Payroll Clerk	1	0	1
8.	ICT Admin/Technician	1	1	0
9.	Help Desk Clerk	1	0	1
10.	Committee Clerk	2	1	1
11.	Receptionist/Switchboard	2	2	0

	Operator			
12.	General Ass	3	3	0
13.	Registry Officer	1	1	0
14.	Handyman Municipal Property maintenance	1	0	1
15.	Messenger driver	1	0	1
16.	Registry Clerk	1	1	0

#### F. Technical Services

	Approved positions	Number of approved and budgeted posts per position	Filled Posts	Vacant posts
1.	PMU Data Capture	1	1	0
2.	Secretary	1	1	0
3.	Manager	1	1	0
4.	Technician-water and sanitation	1	0	1
5.	Electrician	1	1	0
6.	Housing Officer	3	2	1
7.	Building Inspector	1	1	0
8.	Technician, Roads	1	0	1
9.	Technician Projects	1	0	1
10.	Supervisors	5	4	1
11.	Assistant Electrician	1	1	0
12.	Sewerage tanker-Driver	2	2	0
13.	Sewerage tanker-Assistant	2	1	1

14.	Plumber	2	1	1
15.	Water and Wastewater Operators	18	15	3
16.	TLB Operator	2	2	0
17.	General workers	14	12	2
18.	Tip truck driver	1	1	0
19.	Water tanker	2	0	2
20.	Grader operator	1	1	0
21.	Crane truck driver	1	1	0

### 1.3.2 Technical Staff registered with professional bodies

Water and Electricity	Total Number of Technical Service Managers	Total number reregistered in the accredited professional body	Total number pending registration confirmation in the accredited professional body	Total number not yet registered in
2	1	1	1	0

### 1.3.3 Level of education and skills

Total number of staff	Number of staff without grade 12	Number of staff with senior certificate only	Number of staff with Tertiary/ accredited professionals training
	42	68	37

#### 1.3.4 Trends on total personnel expenditure

Financial Years	Total Number of staff	Total approved operating budget	Personnel expenditure (salary related)	Percentage of expenditure
2009/10	138	R26, 539 000.00	R21,568 000.00	29.8%
2010/11	147	R35,466 000.00	R22 930 000.00	23.8%

#### 1.3.5 List of pension and medical aids to which employees belong

Names of pension funds	Number of members	Names of Medical Aids	Number of members
SALA	1	SAMWU	25
CAPE JOINT P/F	47	LA HEALTH	8
SAMWU P/F	87	HOSMED	2
MUNICIPAL COUNCIL P/F	6	KEY HEALTH	1
		BONITAS	22

#### 1.4 Senior Officials' wages and benefits

Mr. S. Nkuhlu:	R826 820 000.00
Mr. M. Mpumlwana:	R666 707 000.00
Mr. M. Zenzile:	R666 707 000.00
Ms. N. Venter:	R666 707 000.00
Mr. T. Sompani :	R626 937 000.00
Mr. D. Dliwayo:	R626 000 000.00

#### 1.5 Implementation of Performance indicators in municipal transformation and organisational development.

- Performance management policy have been approved by the Council
- All Managers of section 57, and 56 have signed performance Agreement and Performance plans.
- Personal Development Plans have been developed.
- There is an Internal Auditor in place.



- As per Municipal regulations on minimum competency levels, stipulated on the Finance Management Act, 2003 Municipal Managers must be developed to contribute to the successful functioning of the Municipality. Koukamma Municipality requested competency Assessments for All Managers of section 56 and 57. Assessment took place on the 11, 12 and 27 July 2011, conducted by NMMU.

The following competences were assessed:

- ❖ Strategic Leadership and Management
- ❖ Strategic Financial Management
- ❖ Operational, Financial Management
- ❖ Governance, Ethics and Values in work place/ Financial Management
- ❖ Financial and Performance Reporting
- ❖ Project Management
- ❖ Legislation, Policy and Implementation
- ❖ Stakeholder relations
- ❖ Supply Chain Management
- ❖ Audit and Assurance

Quarterly reviews and cascading to lower levels is still a challenge and the full implementation of PMS is not yet done.

#### **1.6 Annual performance as per key performance indicators in municipal transformation and organizational development**

One of the key programmes of the Municipality is to undertake Municipal transformation and organisation development. At the heart of this key component of Local Government strategic agenda is the composition of the workforce which must in conformity with the local demographics.

Equally, it must be in line with its equity objectives and further be consistent with provisions of the constitution of the republic of South Africa, in terms of designated groups.

In this regard, we are encouraged by the developments in the Municipality which observe and adhere to the above.

Likewise, the formation and functioning of Council and its committees constitute a component of this key agenda. We are pleased to report that both Council and its committees are functioning in an appropriate manner and have been discharging their oversight responsibilities.

In addition, Management is reflecting of the different groups and gender and further being a diverse knowledge, expertise and experience from all quarters, which add value in the operations of the institution.

In driving the Municipal transformation and organisational development, we have been guided by the Integrated Development Plan of the institution which outlines its strategic objectives and priorities.

This interface will with its institutional vision, mission and values which encapsulate the purpose of its existence and how it intends to services the people of Koukamma.

## **1.7 Major challenges and remedial actions in regard to human resource and organizational management**

### **1.7.1 Major challenges and remedial action with regard to Labour Relations**

- There are too many disciplinary cases. Remedial action is to engage into awareness campaigns because some cases might not necessary lead to formal disciplinary processes if the employee was made aware.
- Labour Relations by its very nature is to ensure the speedy resolution of disputes and within Koukamma Municipality; this is one of the biggest challenges. When it comes to disciplinary enquiries, the process is characterized by postponements, mostly from the employees. A remedial action would be to schedule disciplinary enquiries as soon as the investigation is done and to put into policy that only a limited amount of postponements is allowed.
- There is also a challenge with the sitting of Local Labour Forum meetings. Remedial action is to strengthen communication with Labour representatives.
- Another challenge is not having a centralized center for communication and as a result you will find incidents where notification goes to the Municipal Manager's office and not archives and then does not get distributed to the relevant people, which results in us not being prepared for a case. A remedial action would be to advise the bargaining council that all communication should be send trough to archives.
- With pending cases, there is no clear delegation as to who will handle certain cases and this then also result in the municipality not being sufficiently prepared for a case. A remedy for this will be to delegate a certain case as soon as a date is announced by the bargaining council.
- In addition there was a challenge of rolling out Employee Health and Wellness Strategy. Programme of action plan be crafted and to be implemented.

### **1.7.2 Major challenges and remedial actions with regards skills development:**

- The Heads of Departments are supposed to be responsible and accountable for the education, training and development of their employees and should therefore ensure that sufficient financial provision has been made.

- There supposed to be a budget set aside for the capacity building of Koukamma Councillors.
- HOD's should ensure that individual training plans are in place and signed within two months from the beginning of the financial year that has not yet been done in KM.
- There is a lack of understanding that not all training provided would qualify for grant from the SETA, therefore budget must therefore accommodate non-grantable training provision.
- There must be a adequate and centrally located budget for capacity building
- Line Managers needs to ensure that employees are educated, developed and trained to do their work competently by continually monitoring performance and identifying development needs; Coaching, counselling and mentoring staff on an regular basis. Koukamma needs an effective well-functioning Training Committee to assist in enforcing the culture of continuous learning in the institution.

### **1.7.3 Challenges and remedial actions with regards HR Administration (Payroll):**

#### **(a) Leave Management**

Inaccurate or incorrect leave days which comes as a result of capturing. It is detected that different departments have been keeping approved leave with them for too long, as a result of this on a monthly basis HR Practitioner (Conditions of Services & Recruitment)is having meeting with secretaries to rectify this matter.

#### **(b) Overtime.**

There was a problem with overtime, but an agreement was reached with certain employees to be paid only for two (2) hours and the rest will be utilised as time off.

Overtime work as a result of emergency is being controlled/monitored through the introduction of pre-authorisation forms as well as log sheets for emergency overtime, which gets signed by Municipal Manager.

## **Chapter 2: Basic Service delivery performance highlights**

### **2.1 Water services**

a. Water services delivery strategy and main role-players:

#### **Responsibility**

Every Water Service Authority has a duty to all customers or potential customers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to Water Services [Water Services Act of 1997 Section 11].

Thus, a Water Service Authority has the duty to provide water services with the focus on: Ensure, Efficient, Affordable, Economical and Sustainable deliverables.

#### **Role Players**

The Technical Department is headed by the director who is supposed to be assisted by the WSA manager. There are no Water technicians to manage the operations and provision of water. The Water supervisors are the ones doing the operations and maintenance and the whole operational work is over seen by the director.

#### **Principles of Water Service Provision**

- To ensure: effectiveness, efficiency, viability, sustainability
- Requires: proactive approach, pre-thinking, deliberation, understanding....thus coordinated planning
- Therefore: Every Water Services Authority must...  
Prepare a Water Services Development Plan for its area of jurisdiction  
[Water Service Act of 1997 Section 12]

b. Levels and standards in water services:

#### **Description of activity**

Water is a specialized provision function ensuring that all residents and tourists are served sustainable. By doing this it promotes healthy lifestyle and ensures a clean and healthy environment.

**The Water section is mostly responsible for Water provision and includes the following:**

1. Water source management
2. Maintenance of Water & Sewerage networks (reticulation level)
3. Management of water loss control
4. Water purification (In compliance with Water Act 1997)
5. Facilitate community awareness campaigns. (WSA)

## **Strategic Objectives**

1. Maintenance of existing infrastructure
2. Ensure sufficient bulk water supply to meet requirements
3. Rehabilitate and upgrade prioritized Water Treatment Schemes (MIG funds)
4. Replace defective water meters (revenue issues)

## **Key issues for 2010/2011 Financial year**

1. Develop quarterly maintenance plans
2. Cleaning of service reservoirs in Coldstream, Sandrift, Woodlands, Clarkson, Blikkiesdorp,
3. 20 x new Water Connections as requested from consumers.
4. Reticulation maintenance in the municipal area
5. Develop a Water Service Development Plan
6. Implementation of Municipal Infrastructure Grant Projects (MIG)

## **Analysis of the Function:**

Planning and coordination was done by the head of department and assisted by the Engineering Manager. There were three (3) Supervisors administering water services, 9 operators, and 8 general workers. The three (3) supervisors were also involved in sanitation services.

Areas within the jurisdiction of the WSA are:

### **Urban areas:**

Clarkson

Coldstream

Eersterivier

Ekhuphumleni

Jourbertina

Kareedouw

Krakeelrivier

Louterwater

Misgund

Sandrif

Stormsrivier

Twee Riviere

Woodlands

**Rural dense areas:**

Koomansbos

Thornham

Wittekleibosch

The total number of residents living within the area of jurisdiction is: 42644

**c. Annual performance as per key performance indicators in water services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the FY under review (actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to potable water	42094	570	570	42094	100%
2	Percentage of indigent households with access to free basic potable water	6500	1500	500	500	100%
4	Percentage of clinics with access to potable water	100%	0	0	0	0
5	Percentage of schools with access to potable water	100%	0	0	0	0
6	Percentage of households using buckets	0%	0	0	0	0



#### **d. Major challenges in water services and remedial actions**

Koukamma Municipality is currently being serviced by 9 Water Treatment Schemes and 9 Waste Water Treatment Schemes. As from 2009/10 financial years the schemes have been upgraded funded from MIG. Prioritized and aging equipment were rehabilitated first and there are still being attended to.

The Technical & Infrastructure department is responsible for the delivery of essential services over an area of 3 600km<sup>2</sup>.

Currently the department is understaffed and under capacitated. There is no WSA manager and WSP manager to manage the water provision section. Our water section supervisor are also not well capacitated, there's a need for more plumbers to deal with immediate repairs in case of pipe breaks and leaks.

Maintenance plans are also not in place, this needs special attention and the RRU by DWA has offered to assist the municipality in the development of such plans.

#### **e. Major challenges in water services and remedial actions**

One of the major challenges facing Koukamma is the sustained supply of potable water to all communities. Serious droughts have been experienced by this region. Water sources dry up completely during these dry spells placing severe strain on the ability of this department to provide water to communities. Limitations on the increase in capacity of storage facilities result in the continued water shortages experienced by this region. Other challenges include:

- Purification plants not functioning optimally due to old age and lack of maintenance
- Shortage of funding in order to acquire sufficient chemicals for effective water purification
- Limited periods of access to water controlled by irrigation boards
- Shortage of water meters hampers the monitoring of water usage and the detection of leaks.
- Shortage of skilled personnel and equipment to implement effective maintenance operations
- Replacement of antiquated asbestos reticulation networks where pipe bursts occur frequently, causing disruption of water supply and a strain on the departmental resources.
- Seeking solutions to improve the bulk water supply, one of which is the provision of more boreholes in order to supplement current water supplies.
- Educating communities that water is a scarce, valuable and essential commodity which should be used with care.

### **2.2 Electricity services**

#### **a. Electricity services delivery strategy and main role-players**

This is a specialized function in terms of electricity provision. ESKOM provides electricity in bulk to Coldstream, Mountain View, Kagiso Heights and New Rest. The remainder of areas is serviced by ESKOM.

### **Description of activity**

The municipality is responsible for maintenance of distribution reticulation licensed areas in line with the National Energy Regulator (NER) including streetlights to designated areas.

### **Strategic Objectives:**

1. To supply Electricity reticulation network to each home and business in Koukamma licensed areas
2. To provide luminaries to communities in newly developed areas.
3. Provision of electricity to existing Sports fields

**Koukamma Municipality is responsible for the provision of electrical service in the following areas:**

Mountain View

Uitkyk

Kagiso Heights

New Rest

Blikiesdorp

Coldstream

Misgund

Furthermore, the department is also responsible for the maintenance of the all the Public Municipal Infrastructure in the Municipal area i.e. Community halls, Street lights, Sport fields, Water and Sanitation Infrastructure and the Municipal building.

All other areas are serviced by Eskom.

### **Key issues for 2010/2011:**

1. Maintenance of electrical infrastructure where Koukamma is the registered service provider.

### **Role players**

As indicated above in the water provision, the director oversees the whole operation. However, the Engineering Manager manages the section which consists of 1 Electrician and 1 assistant.

### **b. Level and standards in electricity services**

Pre-paid electricity vending machines are situated in Koukamma Municipal Offices at Kareedouw and Coldstream. After hour services are also available at the Kareedouw office. All other areas are being served by vending operators contracted to Eskom.

**c. Annual performance as per key performance indicators in Electricity services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review (actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to electricity services	990	401	401	0	0
2	Percentage of indigent households with access to basic electricity services	500	60	60	0	100%
4	Percentage of indigent households with access to free alternative energy sources	260	0	0	0	0

**d. Major challenges in electricity services and remedial actions**

- Electrical infrastructure needs to be upgrade to accommodates new connections
- High mast lights are not working effectively and need maintenance
- Street lighting is not sufficient and darker areas develop into crime spots
- Theft of electricity drains finances and presents a health hazard
- Vandalism

**2.3 Sanitation**

**a. Sanitation services delivery strategy and main role-players**

**Description of activity**

Sanitation is a specialized function which strives to provide households and businesses with well-maintained and reliable water borne sanitation systems.

**The sanitation section is mainly responsible for the following:**

1. Effluent control to nature (according to DWA Standards)
2. Provision of a reliable sanitation reticulation (according to Engineering Designs)
3. Facilitate community awareness campaigns. (WSA)

### **Strategic Objectives**

1. Installation of household sanitation
2. Upgrade of Sewerage utilities
3. Maintenance of existing infrastructure and utilities
4. Deal with de-sludging requirements

### **Key issues for 2010/2011**

1. Develop quarterly maintenance plans
2. 20 x new Sewer Connections as requested from the consumers.
3. Reticulation maintenance in the municipal area
4. Pump Station Maintenance in all related areas.
5. Rehabilitation of Waste Water Treatment Schemes

### **Analysis of the Function**

Planning and co-ordination was done by the head of department. Three supervisors administered sanitation services, 6 plant operators and 4 general workers. Supervisors were also responsible for the Water Function.

#### **b. Level and standards in sanitation services**

##### **Clearing digesters :**

In areas where small bore systems are still in use digesters are cleared periodically by sewer vacuum trucks.

##### **Clearing conservancy and septic tanks:**

- Some residents, old age homes, clinics and businesses make use of conservancy and septic tanks for effluent disposal. Vacuum trucks are routinely clearing these tanks
- VIP toilets recently installed in Eersterivier and Woodlands are earmarked for clearing once fully operational

##### **The municipality has a mandate to:**

- Provide effective sanitation services to all communities
- Ensure that reticulation network is functional
- Sewer spillages are dealt with effectively and speedily
- Effluent entering the rivers and streams has been effectively treated and does not present environmental and health risks

**c. Annual performance as per key performance indicators in sanitation services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review</b>	<b>Number of HH/customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to sanitation services	42094	570	570	0	100%
2	Percentage of indigent households with access to free basic sanitation services	6500	500	500	0	100%
4	Percentage of clinics with access to sanitation services	100%	0	0	0	100%
5	Percentage of schools with access to sanitation services	100%	0	0	0	100%

**d. Major challenges in sanitation services and remedial actions**

- Refurbishing and repair all WWTW by 2012
- Elimination of small bore reticulation systems
- Implementation of an effective maintenance programme and strategy for all plants
- Utilisation of fully trained plant operators
- Complete elimination of untreated effluent spillage into rivers and streams
- Eliminate the spillage of effluent from overflowing conservancy and septic tanks
- Reduce intervals of between servicing effluent tanks

- Incorporate all residents onto sewer sanitation reticulation network
- Continued refurbishing and upgrading of WTW and WWTW throughout Koukamma
- Establish an effective operations and maintenance strategy
- Improve the skills level of all workers
- Educational process for communities to properly utilise and protect their infrastructures

## **2.4 Road maintenance**

### **a. Road maintenance services delivery strategy and main role-players**

#### **Overview:**

Include all activities relating to the maintenance of storm water management systems, implementing storm water maintenance plans and the upgrading of the municipal road infrastructure, ensuring a safe and acceptable road network.

#### **Description of activity**

Roads and Storm water function is a specialized function focusing on:

1. Continuous upgrading of municipal road / street network (50 km tarred / 250 km gravel) – regular damages caused by heavy timber and commercial vehicles.
2. Regular cleaning and developing of storm water management systems

#### **Strategic Objectives:**

1. To maintain all municipal tar roads (50km) to ensure safe access for public and tourists
2. To maintain and develop public transport services, e.g. provide facilities & facilitate growth and development of transport, e.g. taxi ranks and access to transport
3. To maintain all Gravel roads ensuring access to transport network linking each community and all public amenities and facilities, e.g. schools, clinics etc.
4. To upgrade gravel roads to tarred roads to enable safe surfaces and to create new roads where it is needed, e.g. taxi – routes

#### **Key issues for 2010/2011:**

1. Patching of 60km potholes
2. Cleaning of Storm water channels and culverts / catch pits (100km)

#### **Analysis of the Function**

Planning and co-ordination was done by the head of department. The position of a Technician is vacant. This function is partially administered by the Supervisor and two general workers. The performance of the function is challenging due to the absence of earth moving equipment and staff.

### **b. Level and standards in road maintenance services**

The Sakhisizwe Programme, consisting of local household contractors, and funded by the Department of Transport, had not been entirely effective, largely due to the lack of a structure, agreed to by all parties, of how this programme will be implemented. Household contractors generally regarded their employer to be DoT and were therefore reluctant to take orders from departmental supervisors.

Communication in many cases was not conducted through the appropriate channels and Councillors were at times used as conduits. The irregular and, at times, delayed remuneration of contractors is another reason why disruptions occurred. No clear guidelines were given regarding the issuing and monitoring of tools with the result that contractors are still in possession of the tools. It is vital that this programme be re-evaluated in order for us to utilise these contractors effectively as part of the maintenance teams once the projects are completed.

### **Plant and equipment**

The two newly acquired water carts and TLB from DBSA funding are vital items of plant for effective maintenance, but critically required plant includes:

- 2 Graders
- 2 Rollers
- 1 Tipper truck
- 1 TLB to be repaired
- 4 Plate compactors
- 1 Manual Chip and Spray unit

### **c. Annual performance as per key performance indicators in road maintenance services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the f. year under review (Actual numbers)</b>	<b>Number of HH/customer reached during the FY</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households without access to gravel or graded roads	42094	500	200	300	100%
2	Percentage of road infrastructure requiring	30%	30%	0	0	0



	upgrade					
4	Percentage of planned new road infrastructure actually constructed	0	0	0	0	0
5	Percentage of capital budget reserved for road upgrading and maintenance effectively used.	2%	R 5mil	R 3 mil	1%	1%

#### **d. Major challenges in road maintenance services and remedial actions**

The cost of repairs and maintenance of the plant is extremely high and delays frequently occur in the release of repaired plant due to non-payment. It is recommended that Koukamma should investigate the establishment of a mechanical workshop on the premises in order to:

- Minimise downtime of plant
- Reduce cost of maintenance and repairs
- Improve fleet management
- Control issuing of fuel and fuel consumption
- Create job opportunities and skills development

## **2.5 Waste management**

### **a. Waste management services delivery strategy and main role-players**

#### **1. MUNICIPALITY**

Is responsible for the effective delivery of the service thereby uplifting communities socially and economically.

Pollution and waste minimisation, impact management and remediation.

Information management

Making timeous and appropriate provision for adequate waste disposal facilities.

Prevent water pollution.

Maintain minimum waste management standards in order to protect human health and the environment from the possible harmful effects caused by the handling, treatment, storage and disposal of waste.



## **2. MAIN ROLE PLAYERS**

### **a. COMMUNITIES**

Are the clients who are serviced by the Municipality. They generate the refuse and place it in a refuse bag for collection. Communities have the responsibility to pay services charges.

### **b. BUSINESSES**

Have the same roles to play as Communities.

### **c. SERVICE PROVIDER (Mr Wian De Jager).**

Render the service on behalf of the Municipality in Kareedouw.

### **d. RECYCLERS**

They collect recycling material (tins, glass, etc.) thereby minimising the waste on refuse dump sites. These recyclers are not having formal arrangements with the Municipality.

### **e. DEPARTMENT OF ENVIRONMENTAL AFFAIRS AND AGRICULTURE (DEA)**

Responsible to ensure that the Municipality complies with relevant legislation and also assist with the implementation of programmes.

## **3. WASTE MANAGEMENT PLAN**

The Integrated Waste Management Plan that was developed by Kwezi-V3 as per their mandate received from Cacadu District Municipality. None of the recommendations in the document have been implemented due to financial constraints in the Municipality.

### **b. Level and standards in waste management services**

#### **1. ACCESS TO WASTE MANAGEMENT SERVICES**

All communities (1 365 households) in Koukamma, including the informal settlement in Louterwater have access to the refuse removal service.

The houses in Misgund have not been occupied as yet. The target therefore for the next financial year is to service 401 additional households.

#### **2. QUALITY STANDARD OF WASTE MANAGEMENT**

Refuse are collected from domestic and business premises on a weekly basis.

Domestic clients are issued with two (2) black refuse bags each week.

Waste (domestic, business and garden) are disposed at six (6) identified disposal sites.

Disposal sites are not managed properly due to absence of necessary plant and equipment.

**c. Annual performance as per key performance indicators in waste management services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (actual numbers)</b>	<b>Target set for the year under review</b>	<b>Number of HH / customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households with access to refuse removal services	2321	1432	1833	1363	52%

**d. Major challenges in waste management services and remedial actions**

- i) Little to no management of refuse dump sites.  
Plant and equipment need to be acquired for this purpose.  
Dump site operators need training.
- ii) Refuse collection trucks are old and experience regular breakdowns.  
New trucks to be purchased or service to be outsourced.
- iii) Illegal dumping of refuse.  
Awareness campaigns to be implemented.

**2.6 HOUSING AND TOWN PLANNING**

**(a) Housing Development**

In the financial year under review, Koukamma Municipality has undertaken the housing development in partnership with the Department of Human Settlement including a number of service providers as well as local Communities.

The key programmes that were implemented by the institution together with Human Settlement relate to the following:

- (i) Total Rectification
- (ii) Misgund Housing Development

The progress, thus far, in terms of implementing the total rectification programme varies from one settlement to another. However, the overall impression is that we are moving closer towards completion period of Phase 1 but closer attention needs to be given to the Ravinia project due to its slow movement.

In addition, the processes of Phase 2 total rectification project appear slow due to poor planning and funding challenges. It is the contention of Koukamma Municipality that the Human Settlement must urgently resolve the matter so as to avoid any further delays.

#### **(b) Town Planning Services**

With regard to town planning, Koukamma Municipality has an agreement with Kouga Development Agency (KDA) which performs the town planning services on its behalf. This arrangement was borne out of the realisation of poor or lack of internal capacity regarding town planning services. It has thus far worked well for Koukamma Municipality, and also Council together with its oversight committees have placed checks and balances in relation to the implementation of this arrangement.

Equally, the existing Service Level Agreement (SLA) between Koukamma Municipality and KDA served as performance tools to measure the terms and conditions of this agreement, which Council exercised its oversight function. However, there are major challenges confronting the institution in this field and we have engaged the Cacadu District Municipality as well as the Department of Local Government and Traditional Affairs and it remains our hope that this will be addressed in due course.

Currently the level and standards in town planning services vary from project to project however we are pleased with the quality and the standard of town planning in Koukamma especially given the speciality or skills expertise of Kouga Development Agency. This has contributed in a positive manner towards improving the level and standard of our plans as an institution and further enhanced healthy relations between the Koukamma Municipality and its clients or customers but one of the major challenges is the space of processing the plans for approval.

#### **c. Annual performance as per key performance indicators in housing and town planning services**

	<b>Indicator name</b>	<b>Total number of household/customer expected to benefit</b>	<b>Estimated backlogs (Actual numbers)</b>	<b>Target set for the year under review</b>	<b>Number of HH / customer reached</b>	<b>Percentage of achievement during the year</b>
1	Percentage of households living in informal settlements	6%	570	570	0	0%
2	Percentage of informal settlements that have been	100%	0	0	570	100

	provided with basic services					
3	Percentage of households in formal housing that conforms to the minimum building standards for residential houses	1%	99%	0%	0%	0%

#### **d. Major challenges in housing and town planning services and remedial actions**

The municipality owns land only in Kareedouw. The land is designated as a nature reserve and cannot be utilised for housing development or another purpose. There are smaller portions of municipally owned land that can be used for infill development (SDF 2007).

The Municipality does not have the land to address current housing demand. Available land is owned by private owners, (which are intensively used mainly for agriculture), SAN Parks and state land. The bulk of the land is either privately owned or owned by the local municipality.

### **2.7 Spatial Planning**

The Spatial Development Framework of Koukamma Municipality was undertaken by Set-Plan in partnership with Koukamma Municipality and its Local Stakeholders and other Government Departments.

The Spatial Planning Framework was a five (5) year plan starting from 2006 to 2011 and in the financial year under review it marked an end of its existence.

However it was useful and relevant in shaping the planning approach of IDP 2010/2011 though there were glaring gaps as identified by the Department of Local Government and Traditional Affairs.

In recognition of this reality, Koukamma Municipality has already begun a process of preparing a Review with a view with a view of generating a new one. This work is being undertaken in partnership with the Department of Local Government and Traditional Affairs including Service Provider, Set-Plan.

We are encouraged by this development however a lot of work will have to be undertaken and intended to improve our Spatial Planning and Implementation outcomes.

## 2.8 Indigent policy implementation

### a. Preparation and approval process of the indigent policy

The indigent policy has been adopted by council on 13 July 2010.

### b. Implementation of the policy

An indigent register is in place. The municipality has an annual drive to register all indigent consumers. The council currently have 2022 consumers on its indigent register. Consumers can apply on a continuous basis to be added to this register.

## 2.9 Overall service delivery backlogs

Basic service delivery area	30 June 2010			30 June 2011		
Water backlogs (6KL/month)	Required	Budgeted	Actual	required	budgeted	Actual
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	570	0	0	570	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total number of HH in the municipality)	6%	0	0	6%	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0
<b>Electricity backlogs (30KWH/month)</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	461	0	0	461	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	5%	0	0	5%	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0

Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0
<b>Sanitation backlogs</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	570	0	0	570	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	6%	0	0	6%	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0
<b>Road maintenance backlogs</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	500	0	0	500	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	4.8%	0	0	4.8	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs	0	0	0	0	0	0

(R000)						
<b>Refuse removal</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	1432	1 508 950	3 255 693	401	546 000	4 256 788
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	1 081	1 021 506	4 455 000	7%		
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	180 000	180 000	180 000
Spending on renewal of existing infrastructure to eliminate backlog (R000)	15 500	14 500	14 500			
Total spending to eliminate backlogs (R000)	15 500	14 500	14 500			
Spending on maintenance to ensure no new backlogs (R000)			14 500			
<b>Housing and town planning</b>						
Backlogs to be eliminated (n0. HH not receiving the minimum standard service)	570	0	0	570	0	0
Backlogs to be eliminated (%: total HH identified as backlog/total numb of HH in the municipality)	6%	0	0	6%	0	0
Spending on new infrastructure to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on renewal of existing infrastructure to eliminate backlog (R000)	0	0	0	0	0	0
Total spending to eliminate backlogs (R000)	0	0	0	0	0	0
Spending on maintenance to ensure no new backlogs (R000)	0	0	0	0	0	0



## **CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK**

### **3.1 BRIEF PRESENTATION OF LED STRATEGY PLAN**

The LED Strategy was funded by Thina Sinako and Urban-Econ was the appointed service provider that facilitated its development in partnership with Koukamma Municipality and Cacadu District Municipality including various social partners.

Our LED Strategy Plan is derived from the Local Economic Development Strategy of Koukamma Municipality which was a product of extensive consultation and engagement with a range of local role players and other organs of the State.

As a plan it is founded on the main pillars of the LED Strategy which is further aligned to the National and Provincial priorities as captured in the GDS and PGDP respectively.

In summary, the LED Strategy Plan was based on the following aspects:

- (i) Agriculture
- (ii) Tourism
- (iii) Forestry
- (iv) Timber
- (v) Fishers

With respect to the concrete strategic areas of operation, our LED Strategy Plan dealt with the following:

- (i) Agri-Tourism and processing with an emphasis on Black Emerging Farmers
- (ii) Tourism diversification and investment, wherein we emphasised product marketing, creative arts and culture including local heritage and attraction sites.
- (iii) Formation, trading and funding support including mentoring programmes for the local cooperatives as well as enterprise development.

#### **3.1.1 STATUS ON DEVELOPING THE LED STRATEGY PLAN**

The LED Strategy Plan is in place and went through an extensive consultation process with a series of role players.

At this stage, it remains relevant and forms a basis of our intervention programmes to undo the local situation for the benefit of those less fortunate and the broader economic climate of Koukamma.

However, this does not suggest that there are no areas warranting review but the status is consistent and relevant to the realities of Koukamma.



### **3.1.2 SETTING UP THE LED UNIT**

In the financial year under review, we did not have a fully-fledged LED Unit however we had two Municipal Officials as LED Coordinator and the other one providing administrative support services which both reported to the office of the Municipal Manager.

It must however be stated that an initiative was undertaken to review the Organisational Structure with a view to enhance the capacity of LED in order to perform its functions.

In that regard, Council approved a structure for the future LED Unit which will have a Director/Manager reporting to the Municipal Manager and having all the LED staff being coordinated under the guidance and leadership of the Director/Manager to undertake the different programmes that constitute its mandate.

However, one of the major limitations was funding to populate the structure and immediate attraction of competent skills but a business plan was presented to the Department of Local Government for assistance.

We remained confident that this is one area wherein the Municipality has a great potential and opportunity to improve its performance depending on some of the above stated interventions though.

### **3.1.3 AVAILABILITY OF LED EXPERTISE**

The Human Resource base that we have within the LED remains limited given the existing competency levels and expertise profile of our Municipal Staff.

This is further evident, as we do not have a fully-fledged LED unit, however the functions are undertaken but room for improvement exists.

It is against this realisation that we took a decision to restructure the LED Section and most importantly redefine its strategic programme areas to address a plethora of issues.

In addition, we resolved to strengthen such a capacity in the financial year 2011/2012 in partnership with various Government Institutions, Local Business Chambers or Sectors as well as other social partners.

### **3.1.4 LED STAKEHOLDER FORUM FUNCTIONALITY**

There is no single LED Stakeholder forum in Koukamma except sector engagements that remain ad-hoc.

As a result, Koukamma Municipality interacted with the following stakeholders per Sectors.

- (i) Tourism Sector
- (ii) Agricultural Sector
- (iii) Construction/Building Sector
- (iv) Local Enterprise Sector
- (v) Cooperative Organisations

Throughout this period, these engagements were constructive and fruitful but weekend by proper coordination and quality implementation. However, measures were put in place to improve the identified weaknesses and progress is encouraging.

### **3.1.5 FUNDING OPPORTUNITIES OF LED ACTIVITIES**

Funding is generally on of the major challenges that confronted the implementation of our LED programme.

However, we remain grateful to the Department of Economic Development, Environmental Affairs and Tourism, Cacadu District Municipality and Department of Local Government and Traditional Affairs.

We have further engaged other social partners within the Business Sector to partner with Koukamma Municipality based on its strategic priorities within the LED Section. It must be stated that the process is slow however encouraging sign are starting to show, and remained confident for the better.

### **3.2 PROGRESS TOWARDS ACHIEVING THE LED KEY OBJECTIVES**

We are in overall implemented the approved programmes of the LED and this placed us in a better situation to achieve the key LED objectives.

In summary the key LED objectives are:

- (i) Empower the Local Businesses to participate in the mainstream economy
- (ii) Diversify the local economic environment to extend the envelope.
- (iii) Form a network with other strategic social partners
- (iv) Create job opportunities and reduce unemployment

We must however acknowledge that we were hindered by some objective realities such as existing competency levels and expertise, funding challenges, to name but a few.

### **3.3 ANNUAL PERFORMANCE AS PER PERFORMANCE INDICATORS IN LED**

In the financial year under review, we have discharged our work but not to the satisfaction give the stated institutional limitations. For instance, our contribution towards job creation was limited because we tended to use heavy machinery instead of local labour.

Equally the global recession had a great impact to our local economy given that it relies on commodities, namely agriculture and tourism.

In addition, our inability to take advantage of the regional linkage and opportunities within the LED arena, due to the transport cost of doing business in Koukamma, as a reality of our geographical position.

In essence, we did not perform to our best ability and capacity and therefore fell short of achieving our targets.

### **3.4 CHALLENGES REGARDING LED STRATEGY IMPLEMENTATION**

The challenges can be summed as follows:

- (i) Capacity limitations due to existing competency levels and expertise
- (ii) Funding limitations to undertake the strategic programme
- (iii) Lack of coordination and monitoring with clear remedial measures
- (iv) Global recession impact to the regional and local economy
- (v) Weaknesses in our application method of job creation.

## **Chapter 4: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)**

### **4.1 The audited financial statements**

The audited 2010/11 annual financial statements are attached, and include:

- Statement of financial position (balance sheet),
- Statement of financial performance (operating statement),
- Cash flow statement,
- Statement of changes in net assets
- Supporting notes to the financial statements.
- Remuneration of councillors, Directors, officials, members and officials of municipal entities

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## General Information

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<b>Legal form of entity</b>	Government entity Municipality
<b>Mayoral committee</b>	
Mayor	M Vuso*
	N O'Connel (term expired 20 May 2011)
<b>Councillors</b>	N Mntambo*
	P Goni*
	T Mohr*
	F Strydom*
	R Krige*
	S Jacobs*
	L Nelson*
	C Rheeders*
	N Pottie*
	B Jantjies*
	M Jacobs (term expired 20 May 2011)
	M Wogane (term expired 20 May 2011)
	D Ncetezo (term expired 20 May 2011)
	J Ketledas (term expired 20 May 2011)
	F J Yake (term expired 20 May 2011)
	T Hendricks (term expired 20 May 2011)
<b>Accounting Officer</b>	S. Nkuhlu
<b>Chief Finance Officer (CFO)</b>	S. Hulana
<b>Registered office</b>	5 Keel Street Kareedouw 6400
<b>Postal address</b>	Private Bag X011 Kareedouw 6400
<b>Auditors</b>	Auditor General
*	Newly elected councillors - appointed 23 May 2011.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Index

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Statement of Financial Position	4
Statement of Financial Performance	5
Statement of Changes in Net Assets	6
Cash Flow Statement	7
Accounting Policies	8 - 23
Notes to the Annual Financial Statements	24 - 55

The following appendixes do not form part of the annual financial statements and are unaudited:

Appendix A: Actual versus Budget (Revenue and Expenditure)	56
Appendix B: Analysis of Property, Plant and Equipment	57 - 66
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### Abbreviations

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

## Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

### Accounting Officer's Responsibilities and Approval

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The Accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

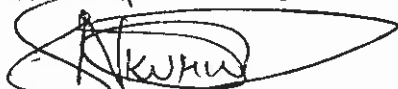
The Accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Accounting officer is responsible for the the preparation of these financial statement statements in terms Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the municipality.

The Accounting officer certifies that the salaries, allowances and benefits of Councillors and payments made are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Governments determination in accordance with that Act.

The annual financial statements set out on pages 4 to 55, which have been prepared on the going concern basis, were approved by the Accounting officer on 14 November 2011 and were signed on its behalf by:



Accounting Officer  
S. Nkuhlu

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Position

Figures in Rand	Notes	2011	2010 Restated
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables from exchange transactions	3	7 738 465	1 375 952
Other receivables from non-exchange transactions	4	2 345 604	2 147 890
Current portion of long-term receivables	5	13 408	13 408
Cash and cash equivalents	6	16 276 461	7 698 564
		<b>26 373 938</b>	<b>11 235 814</b>
<b>Non-Current Assets</b>			
Investment property	7	29 068	38 713
Property, plant and equipment	8	201 740 616	185 631 692
Intangible assets	9	523 785	559 131
		<b>202 293 469</b>	<b>186 229 536</b>
<b>Total Assets</b>		<b>228 667 407</b>	<b>197 465 350</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	10	12 435 212	20 993 339
VAT payable	11	2 574 028	515 879
Retirement benefit obligation	15	54 434	50 916
Unspent conditional grants and receipts	12	45 145 521	26 674 224
Provisions	16	37 824	40 754
Consumer deposits	13	104 700	104 700
		<b>60 351 719</b>	<b>48 379 812</b>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation	15	555 697	561 531
Provisions	16	668 418	511 461
		<b>1 224 115</b>	<b>1 072 992</b>
<b>Total Liabilities</b>		<b>61 575 834</b>	<b>49 452 804</b>
<b>Net Assets</b>		<b>167 091 573</b>	<b>148 012 546</b>
<b>Net Assets</b>			
Accumulated surplus		167 091 573	148 012 546



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Financial Performance

Figures in Rand	Notes	2011	2010 Restated
<b>Revenue</b>			
Property rates	17	7 943 164	6 975 364
Service charges	18	14 554 633	14 505 861
Rental of facilities and equipment	19	157 991	203 967
Income from agency services		1 465 002	981 436
Fines		287 493	420 004
Government grants & subsidies	20	68 754 069	159 895 647
Other income	21	1 337 956	1 350 095
Interest received - investment	22	1 990 845	3 988 604
<b>Total Revenue</b>		<b>96 491 153</b>	<b>188 320 978</b>
<b>Expenditure</b>			
Personnel	23	(20 888 317)	(21 501 353)
Remuneration of councillors	24	(2 041 502)	(1 720 285)
Depreciation and amortisation	32	(8 863 221)	(3 916 806)
Impairment loss	25	(13 804 894)	(18 189 076)
Finance costs	26	(153 700)	(79 097)
Collection costs		-	(78 150)
Repairs and maintenance		(931 978)	(137 578)
Bulk purchases	27	(1 743 535)	(1 517 264)
Contracted services	28	(1 538 154)	(2 556 843)
Grants and subsidies paid	29	(26 721 068)	(16 493 978)
General Expenses	30	(8 753 328)	(8 959 603)
<b>Total Expenditure</b>		<b>(85 539 697)</b>	<b>(76 150 033)</b>
<b>Surplus for the year</b>		<b>10 951 456</b>	<b>112 170 945</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	64 232 395	64 232 395
Adjustments		
Change in accounting policy	(28 390 794)	(28 390 794)
<b>Balance at 01 July 2009 as restated</b>	<b>35 841 601</b>	<b>35 841 601</b>
Changes in net assets		
Surplus for the year	112 170 945	112 170 945
<b>Total changes</b>	<b>112 170 945</b>	<b>112 170 945</b>
Opening balance as previously reported	148 012 546	148 012 546
Adjustments		
Prior year adjustments	8 127 571	8 127 571
<b>Balance at 01 July 2010 as restated</b>	<b>156 140 117</b>	<b>156 140 117</b>
Changes in net assets		
Surplus for the year	10 951 456	10 951 456
<b>Total changes</b>	<b>10 951 456</b>	<b>10 951 456</b>
<b>Balance at 30 June 2011</b>	<b>167 091 573</b>	<b>167 091 573</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Cash Flow Statement

Figures in Rand	Notes	2011	2010 Restated
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from ratepayers, government and others		92 506 484	180 567 475
Interest income		1 990 845	3 988 604
		<u>94 497 329</u>	<u>184 556 079</u>
<b>Payments</b>			
Cash paid to suppliers and employees		(60 838 578)	(69 905 205)
Finance costs		(153 700)	(79 097)
		<u>(60 992 278)</u>	<u>(69 984 302)</u>
<b>Net cash flows from operating activities</b>	31	<u>33 505 051</u>	<u>114 571 777</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	8	(24 851 996)	(114 091 227)
Purchase of other intangible assets	9	(75 158)	(532 571)
<b>Net cash flows from investing activities</b>		<u>(24 927 154)</u>	<u>(114 623 798)</u>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		-	(2 000 000)
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>(2 000 000)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>8 577 897</u>	<u>(2 052 021)</u>
Cash and cash equivalents at the beginning of the year		7 698 564	9 750 585
<b>Cash and cash equivalents at the end of the year</b>	6	<u>16 276 461</u>	<u>7 698 564</u>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They have been prepared in terms of section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003), in accordance with the Accounting Standards prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and are presented in South African Rand.

The Accounting Framework of the municipality, based on the preceding paragraph and applicable to the operations of the municipality, is therefore as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.1 Standards and amendments to standard and Interpretations Issued but not yet effective

Management has considered all of the Standards of Generally Recognised Accounting Practice (GRAP) issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality. Application of these GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is currently unavailable.

The following GRAP Standard have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - Issued March 2005
- GRAP 21 Impairment of non-cash-generating assets - Issued March 2009
- GRAP 23 Revenue from non-exchange transactions (taxes and transfers) - Issued February 2008
- GRAP 24 Presentation of budget information in the financial statements - Issued November 2007
- GRAP 25 Employee benefits - Issued December 2009
- GRAP 26 Impairment of cash-generating assets - Issued March 2009
- GRAP 103 Heritage assets - Issued July 2008
- GRAP 104 Financial instruments - Issued October 2009

### 1.2 Significant Judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

#### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

Key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.2 Significant judgements and sources of estimation uncertainty (continued)

#### Other

Accounting policy 1.16 on Revenue from exchange transactions and accounting policy 1.17 for Revenue from non-exchange transactions describe the conditions under which revenue will be recorded by the management of the municipality.

In making their judgements, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from exchange transactions and GAMAP 9: Revenue, as far as revenue from non-exchange transactions is concerned (see Basis for Preparation above). In particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. The management of the municipality is satisfied that the recognition of the revenue in the current year is appropriate.

### 1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets on a straight line basis, to their residual values as follows:  
Computer software, separately acquired 5 years

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.3 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the investment property on a straight line basis, to their residual values as follows:

Buildings	30 years
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When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as investment property;
- Land held for a currently undetermined future use. (If the Municipality has not determined that it will use the land as owner-occupied or for short-term sale in the ordinary course of business, the land is regarded as held for capital appreciation);
- A building owned by the entity (or held under a finance lease) and leased out under one or more operating leases;
- A building that is vacant but is held to be leased out under one or more operating leases on a commercial basis to external parties;

The following assets do not fall within the ambit of investment property and shall be classified as property, plant and equipment, inventory or non-current assets held for sale, as appropriate:

- Property intended for sale in the ordinary course of operations or in the process of construction or development for such sale;
- Property being constructed or developed on behalf of third parties;
- Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- Property that is being constructed or developed for future use as investment property;
- Property that is leased to another entity under a finance lease;
- Property held to provide a social service and which also generates cash inflows, eg. property rented out below market rental to sporting bodies, schools, low income families, etc; and
- Property held for strategic purposes or service delivery.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	30
Housing Assets	30
Infrastructure	
• Roads and paving	10 - 100
• Electricity	45 - 50
• Water	15 - 100
Community	
• Recreational facilities	15 - 60
• Security	5
Other property, plant and equipment	
• Specialist vehicles	10 - 15
• Other vehicles	5 - 15
• Office equipment	3 - 7

These were not reviewed in the previous and current financial years as required by GRAP 17. The details of this departure are disclosed in Note 2 of the annual financial statements.



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is calculated on cost using the straight line method and is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Infrastructure assets

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

### 1.7 Housing development fund assets

The housing development fund contains letting schemes that are included in Council's property plant and equipment. All surpluses generated from the letting schemes are transferred to the housing development fund.

### 1.8 Financial Instruments

#### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: Financial Instruments - Recognition and Measurement, and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Impairment of trade receivables - the calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

#### Trade and other payables

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.8 Financial Instruments (continued)

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases - the Municipality as lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - the Municipality as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.10 Inventories (continued)

#### Water inventory

Water is regarded as inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised on the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at financial position date comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the weighted average method, at the lower of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

#### Unsold property

Unsold properties are valued at the lower of cost and net realisable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Cost also includes a portion of overhead costs, if this relates to development.

Redundant or slow-moving stock are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory is sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the individual asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for non-cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is recognised as follows:

To the asset of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in the prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

### 1.13 Employee benefits

#### Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The liability for leave pay is based on the total accrued leave days at reporting date and is disclosed as part of trade and other payables on the Statement of Financial Position. The expected cost of bonus payments is recognised as an expense only when there is a legal or constructive obligation to make such payments as a result of past performance.

#### Defined contribution plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution plans are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further obligation once the contributions have been paid. The contributions are recognised as employee related costs when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Defined benefit plans

The municipality has an obligation to provide post-retirement health care benefits to certain retirees. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of the medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate.

The municipality recognises actuarial gains and losses in full in the period in which they occur. Actuarial valuations on the municipality's benefit plans are performed every two years whereas actuarial valuations are performed every three years on the multi-employer benefit plans to which the municipality contributes.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

The municipality contributes to various national and provincial administered defined benefit plans on behalf of its qualifying employees. These funds are multi-employer funds are detailed in Note 51 of the annual financial statements. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued every three years on the projected unit credit method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

#### Long-service allowances

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to certain retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are not recognised for future operating deficits.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business unit or part of the business unit concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees to be compensated for terminated services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

### Decommissioning, restoration and similar liability

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the entity's policy, taking into account current technologies, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to an asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related assets are charged to the Statement of Financial Performance.

### 1.15 Revenue Recognition

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.15 Revenue Recognition (continued)

Revenue is initially recognised at fair value for the year ended 30 June 2011 ( and retrospectively, where practicable) by discounting all future receipts using an imputed rate of return in accordance with the requirements of GRAP 9, GRAP 3 and SAICA Circular 09/2006.

### 1.16 Revenue from exchange transactions

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Service charges

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has refuse containers. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Service charges relating to sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

#### Pre-paid electricity

Revenue from the sale of electricity pre-paid meter cards is recognised at the point of sale and if payment is made five days before year end, it is recognised based on an estimate of the prepaid electricity consumed as at reporting date.

#### Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on a time proportionate basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

- Interest earned on trust funds is allocated directly to the fund, and
- Interest earned on unutilised conditional grants is allocated directly to the creditor: unutilised conditional grants, if the grant conditions indicate that interest is payable to the funder.

#### Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

#### Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreements.

#### Rentals

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Royalties

Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

### 1.17 Revenue from non-exchange transactions

#### Rates, including collection charges and penalty interest

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

#### Fines

Fines constitute both spot fines and summonses for which revenue is recognised when payment is received, together with an estimate of spot fines and summonses based on past experience of amounts collected.

#### Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are available for use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

#### Other donations and contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

#### Revenue from recovery of unauthorised, fruitless and wasteful expenditure

Revenue from the recovery of unauthorised, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury Practice Note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.23 Presentation of currency

These annual financial statements are presented in South African Rand.

### 1.24 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Accounting Policies

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### 1.25 Housing development fund

Section 15(5) of the Housing Act, (Act No. 107 of 1997), which came into operation on 1 April 1998, required that the entity maintain a separate housing operating account. This legislated separate operating account is known as the Housing development fund.

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.26 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

Government grants and conditional receipts are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

### 1.27 Going concern assumption

The annual financial statements have been prepared on a going concern basis.

### 1.28 Grants-in-aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction,
- expect to be repaid in future, or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

### 1.29 Events after the reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

# **Kou-Kamma Municipality**

Annual Financial Statements for the year ended 30 June 2011

## **Accounting Policies**

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### **1.30 Commitments**

Commitments are not recognised on the statement of financial position as a liability or as expenditure on the statement of financial performance but are included in the disclosure notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at reporting date.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at reporting date.
- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.
- Other commitments for contracts that are non-cancelable or only cancelable at significant cost in the event that such contract should relate to something other than the business of the municipality.

### **1.31 Value Added Tax**

The Municipality accounts for value added tax on the cash basis.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 2. General information

The annual financial statements have been prepared in accordance with the Generally Recognised Accounting Practices and the Municipal Finance Management Act. With the exception of the instances detailed below, the municipality has complied with the Standards of GRAP. Management is of the opinion that the entity's financial position, financial performance and cash flows are fairly presented.

The municipality is classified by the National Treasury as a medium capacity municipality and had adopted the phased-in approach in order to comply fully with the implementation of GRAP by 30 June 2011. The relief offered by Directive 4 from the Accounting Standards Board (which the municipality had taken advantage of) has expired and as such, the municipality has departed from the requirements of the following Standards of GRAP as at 30 June 2011:

- GRAP 12: Inventories  
The municipality has failed to identify all its inventory and measure it in accordance with GRAP 12. In terms of GRAP 12 the municipality is required to determine the cost of inventories and if necessary, recognise any write-downs to net realisable value at reporting date in the Statement of Financial Performance. The municipality did not measure its Unpurified water; Water in pipelines as well as Land held for resale as they were unable to measure quantities on hand at reporting date or the net realisable value thereof. Consequently, there are no amounts recognised on the Statement of Financial Position to represent the assets held. The impact of the departure on the annual financial statements could not be quantified.
- GRAP 13: Leases  
The municipality has not applied the recognition criteria envisaged in GRAP 13 to distinguish between operating and finance leases for all such contracts entered into. Consequently, the municipality has not recognised any leased asset or related liabilities in the Statement of Financial Position and no distinction is made between finance costs and lease rentals in the Statement of Financial Performance. The impact of the departure on the annual financial statements could not be quantified.
- GRAP 16: Investment property  
This standard of GRAP requires that the entity shall determine the fair value of investment property for the purpose of disclosure. The municipality has departed from this requirement as they have not assessed the investment properties held for any indication of impairment. Consequently, any such losses have not been recognised in the Statement of Financial Performance and are not reflected by the balances disclosed on the Statement of Financial Position. The impact of the departure on the annual financial statements could not be quantified.
- GRAP 17: Property, Plant and Equipment  
In terms of GRAP 17, the residual value and the useful life of an asset shall be reviewed at least at each reporting date and an entity shall assess whether there is any indication that the asset may be impaired. The municipality has departed from this requirement as they have not assessed the assets for impairment. Any such losses have not been recorded in the Statement of Financial Performance and are not represented by the balances reflected on the Statement of Financial Position. The impact of the departure on the annual financial statements could not be quantified.
- GRAP 19: Provisions, contingent liabilities and contingent assets  
This standard requires that a provision of the expenditure required to settle a present obligation at the reporting date be recorded in the financial statements. The municipality has failed to identify, measure and disclose the environmental rehabilitation provisions required for the land-fill site as they were unable to quantify the obligation at reporting date. Consequently, an environmental rehabilitation provision has not been recorded in the Statement of Financial Position and the impact of the unwinding of the provision due to the time value of money has not been recognised in the Statement of Financial Performance. The impact of the departure on the annual financial statements could not be quantified.
- GRAP 102: Intangible assets  
In terms of GRAP 102, the residual value and the useful life of an asset shall be reviewed at least at each reporting date and an entity shall assess whether there is any indication that the asset may be impaired. The municipality has departed from this requirement as they have not assessed the assets for impairment. Any such losses have not been recorded in the Statement of Financial Performance and are not represented by the balances reflected on the Statement of Financial Position. The impact of the departure on the annual financial statements could not be quantified.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

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### 3. Trade and other receivables from exchange transactions

Service debtors	7 634 020	1 276 162
Loan instalments	-	18
Housing debtors	95 680	90 597
Other debtors	8 765	9 175
	<b>7 738 465</b>	<b>1 375 952</b>

Consumer Debtors are billed monthly, latest end of month. Interest is charged on all outstanding trade receivables at a market related interest rate.

The municipality receives applications that it processes. Deposits are required to be paid for all water accounts opened. There are no consumers who represent more than 5% of the total balance of Consumer Debtors.

The management of the municipality is of the opinion that the carrying value of Consumer Debtors approximate their fair values.

The fair value of Consumer Debtors was determined after considering the standard terms and conditions of agreements entered into between the municipality and Consumer Debtors as well as the current payment ratio's of the municipality's Consumer Debtors.

#### Gross balances

Service debtors - Electricity	1 268 060	1 156 757
Service debtors - Refuse	10 064 916	8 261 778
Service debtors - Sewerage	21 090 997	17 052 425
Service debtors - Water	23 932 357	21 241 668
Housing	567 453	554 206
Loan Instalments	899 132	899 437
Other debtors	2 253 224	2 251 841
	<b>60 076 139</b>	<b>51 418 112</b>

#### Less: Provision for impairment

Service debtors - Electricity	1 100 325	1 148 398
Service debtors - Refuse	8 688 087	8 034 781
Service debtors - Sewerage	18 269 268	16 681 262
Service debtors - Water	20 668 730	20 572 025
Housing	471 774	463 609
Loan instalments	899 132	899 420
Other debtors	2 240 358	2 242 665
	<b>52 337 674</b>	<b>50 042 160</b>

#### Net Balances

Service debtors - Electricity	167 735	8 359
Service debtors - Refuse	1 376 829	226 997
Service debtors - Sewerage	2 821 729	371 163
Service debtors - Water	3 263 627	669 643
Housing	95 679	90 597
Loan instalments	-	18
Other debtors	12 866	9 175
	<b>7 738 465</b>	<b>1 375 952</b>

#### Electricity: ageing

Current (0 - 30 days)	7 064	31 395
31 - 60 days	11 451	-
61 - 90 days	54 726	-
91 - 120 days	6 181	5 610
+ 120 days	1 188 638	1 119 753

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>3. Trade and other receivables from exchange transactions (continued)</b>	<b>1 268 060</b>	<b>1 156 758</b>
<b>Refuse: ageing</b>		
Current (0 - 30 days)	167 552	351 632
31 - 60 days	379 705	164 077
61 - 90 days	174 406	163 339
91 - 120 days	171 533	159 492
+ 120 days	9 171 720	7 423 239
	<b>10 064 916</b>	<b>8 261 779</b>
<b>Sewerage: ageing</b>		
Current (0 - 30 days)	431 264	738 871
31 - 60 days	753 294	348 783
61 - 90 days	357 790	339 380
91 - 120 days	361 882	339 048
+ 120 days	19 186 767	15 286 343
	<b>21 090 997</b>	<b>17 052 425</b>
<b>Water: ageing</b>		
Current (0 - 30 days)	431 051	997 425
31 - 60 days	848 598	273 462
61 - 90 days	429 667	271 798
91 - 120 days	495 088	387 709
+ 120 days	21 727 953	19 311 274
	<b>23 932 357</b>	<b>21 241 668</b>
<b>Housing: ageing</b>		
Current (0 - 30 days)	-	11 985
31 - 60 days	2 863	1 305
61 - 90 days	13 265	1 305
91 - 120 days	12 983	1 268
+ 120 days	538 342	538 343
	<b>567 453</b>	<b>554 206</b>
<b>Loan instalments: ageing</b>		
Current (0 - 30 days)	-	-
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
+ 120 days	899 132	899 437
	<b>899 132</b>	<b>899 437</b>
<b>Other debtors: ageing</b>		
Current (0 - 30 days)	-	5 026
31 - 60 days	-	2 043
61 - 90 days	-	1 608
91 - 120 days	-	1 608
+ 120 days	2 253 224	2 241 556
	<b>2 253 224</b>	<b>2 251 841</b>

Trade and other receivables past due but not impaired

As at 30 June 2011, R 7 563 535 (2010: R 20 226 152) were past due but not impaired.

# Kou-Kamma Municipality

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## Notes to the Annual Financial Statements

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### 3. Trade and other receivables from exchange transactions (continued)

The ageing of amounts past due but not impaired is as follows:

31 - 60 days	104 278	384 114
61 - 90 days	69 703	399 179
91 - 120 days	67 718	410 515
+ 120 days	7 321 836	19 032 344
	<u>7 563 535</u>	<u>20 226 152</u>

#### Trade and other receivables pledged as security

There were no amounts pledged as security for overdraft facilities.

#### Reconciliation of provision for impairment of trade and other receivables

Opening balance	50 042 160	37 177 512
Impairment loss recognised	2 295 513	12 864 648
	<u>52 337 673</u>	<u>50 042 160</u>

In determining the recoverability of debtors, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of consumer debtors has been made for all consumer balances outstanding based on the payment ratio over 12 months per debtor. No further provision is required in excess of the provision for impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable.

#### Agling of impaired consumer debtors

Current (0 - 30 days)	791 798	2 422 243
31 - 60 days	1 891 632	904 348
61 - 90 days	960 152	939 816
91 - 120 days	979 950	966 505
+ 120 days	47 714 141	44 809 248
	<u>52 337 673</u>	<u>50 042 160</u>

### 4. Trade and other receivables from non-exchange transactions

Assessment rates debtors	25 404 120	19 879 026
Insurance claims	-	114 190
Sundry debtors	1 724 507	1 164 079
Less: Provision for impairment	(24 783 023)	(19 009 405)
	<u>2 345 604</u>	<u>2 147 890</u>

The Insurance Claims instituted against the municipality's insurance company are supported by valid insurance claims which are claimable in terms of the insurance contract entered into by the municipality. The average waiting period depends on the nature of the claim. No interest is charged on outstanding insurance claims.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

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### 4. Trade and other receivables from non-exchange transactions (continued)

#### Reconciliation of provision for impairment of other receivables from non-exchange transactions

Opening balance	19 009 406	12 684 974
Impairment losses recognised	5 773 617	6 324 432
	<b>24 783 023</b>	<b>19 009 406</b>

#### Aging of trade receivables from non-exchange transactions

Rates		
Current (0 - 30 days)	183 114	1 314 735
31 - 60 days	674 916	498 792
61 - 90 days	318 242	561 565
91 - 120 days	306 777	482 285
+ 120 days	23 921 071	17 021 649
	<b>25 404 120</b>	<b>19 879 026</b>

#### Aging of Impairment

Rates		
Current (0 - 30 days)	63 739	-
31 - 60 days	586 692	-
61 - 90 days	250 894	-
91 - 120 days	243 620	-
+ 120 days	23 638 078	-
	<b>24 783 023</b>	<b>-</b>

The aging of impairment for assessment rate debtors was not available for the year ended 30 June 2010

### 5. Current portion of long term receivable

#### Staff loans

Gross balances	122 978	122 978
Provision for impairment	(109 570)	(109 570)
	<b>13 408</b>	<b>13 408</b>

In terms of the MFMA no loans are granted to officials anymore. The outstanding amount is in respect of loans granted before 01 July 2004 and will continue until all loans have been repaid.

As at 30 June 2011 Long-term Receivables of R109 570 (2010: R109 570) were past due and a provision for impairment has been made for these amounts.

#### Reconciliation of provision for impairment

Balance at beginning of year	109 570	109 570
Impairment losses recognised	-	-
Amounts written off as uncollectable	-	-
	<b>109 570</b>	<b>109 570</b>

In determining the recoverability of the long term receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being small and staff of the municipality. Accordingly, the management believe that there is no further credit provision required in excess of the provision for impairment.



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

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### 6. Cash and cash equivalents

Cash floats and advances	310	310
Bank balances	9 645 684	7 017 993
Short-term deposits	6 630 467	680 261
	<b>16 276 461</b>	<b>7 698 564</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	30 June 2010	30 June 2009	30 June 2011	30 June 2010	30 June 2009
ABSA Bank - 40 5280 5864	1 172 920	411 374	8 434 598	1 731 741	550 059	8 693 483
ABSA Bank - 90 9125 7522	2 620	2 563	2 367	2 620	2 558	2 499
ABSA Bank - 19 4015 8695	1 007 609	3 491 185	9 114	1 007 609	3 491 185	9 114
ABSA Bank - 91 2257 3572	1 343	1 339	1 338	1 343	1 339	1 338
ABSA Bank - 40 5774 2120	223 028	183 131	179 891	223 028	161 531	179 891
ABSA Bank - 90 7906 4583	462 040	207 710	477 933	465 791	76 713	240 193
ABSA Bank - 91 0756 0295	5 965	5 835	5 697	5 965	5 824	5 697
ABSA Bank - 19 4015 8687	6 073 763	1 531 298	57 150	6 073 763	1 949 214	57 150
ABSA Bank - 90 5224 5645	91 517	86 177	80 311	91 517	86 177	80 311
ABSA Bank - 91 0220 9806	41 807	354 449	338 797	42 307	693 393	338 797
ABSA Bank - 2067785295	-	18 384	17 280	-	18 384	17 280
ABSA Bank - 9069862084	42 595	40 110	37 380	42 595	40 110	37 380
ABSA Bank - 9084614773	34 889	32 665	30 442	34 889	32 665	30 442
ABSA Bank - 9096271797	50 273	48 553	47 856	50 273	48 553	47 856
ABSA Bank - 9199148641	3 178 942	491 909	8 844	3 178 942	540 549	8 844
ABSA Bank - 2071416424	3 330 400	-	-	3 323 968	-	-
<b>Total</b>	<b>15 719 511</b>	<b>6 906 682</b>	<b>9 728 998</b>	<b>16 276 151</b>	<b>7 698 254</b>	<b>9 750 275</b>

Call deposits are invested with a maturity period of less than 3 months and earn interest at different rates per annum. An amount of R 7 304 400 (2010:R5 209 511) is attributable to Unspent Conditional Grants.

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Bank, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

Interest on overdrawn current accounts is charged at the banker's prime rate plus two percent per annum. Interest is earned at different rates per annum on favourable balances.

### 7. Investment property

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
IP Buildings let out	289 543	(260 475)	29 068	289 543	(250 830)	38 713

#### Reconciliation of investment property - 2011

	Opening balance	Depreciation	Total
IP Buildings let out	38 713	(9 645)	29 068

#### Reconciliation of investment property - 2010

	Opening balance	Depreciation	Total
IP Buildings let out	48 358	(9 645)	38 713

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 7. Investment property (continued)

Estimated fair value of investment properties at 30 June	255 000	255 000
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#### Other disclosures

Revenue and Expenditure disclosed in the Statement of Financial Performance include the following:

Total rental income earned from investment property	-	129 600
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A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

All of the municipality's Investment Property is held under freehold interests and no Investment Property had been pledged as security for any liabilities of the municipality.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations on Investment Property.

The municipality's Investment Properties are accounted for according to the cost model.

Impairment of Investment Property was taken into consideration during the process of identifying property, plant and equipment. No Impairment Losses were recognised.

Refer to Appendix "B" for more detail on Investment Property.

### 8. Property, plant and equipment

	2011			2010		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land and Buildings	4 774 780	(1 362 546)	3 412 234	4 774 780	(1 301 932)	3 472 848
Other assets	11 580 538	(4 890 652)	6 689 886	10 660 063	(3 695 387)	6 964 676
Infrastructure	209 997 627	(26 441 229)	183 556 398	186 060 813	(19 421 848)	166 638 965
Community	15 367 229	(7 727 890)	7 639 339	15 367 229	(7 271 480)	8 095 749
Housing assets	501 169	(58 410)	442 759	501 169	(41 715)	459 454
<b>Total</b>	<b>242 221 343</b>	<b>(40 480 727)</b>	<b>201 740 616</b>	<b>217 364 054</b>	<b>(31 732 362)</b>	<b>185 631 692</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land and Buildings	3 472 848	-	(60 614)	3 412 234
Other assets	6 964 676	915 182	(1 189 972)	6 689 886
Infrastructure	166 638 965	23 936 814	(7 019 381)	183 556 398
Community	8 095 749	-	(456 410)	7 639 339
Housing assets	459 454	-	(16 695)	442 759
<b>Total</b>	<b>185 631 692</b>	<b>24 851 996</b>	<b>(8 743 072)</b>	<b>201 740 616</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Depreciation	Total
Land and Buildings	3 533 462	-	(60 614)	3 472 848
Other assets	6 305 764	658 912	-	6 964 676
Infrastructure	55 402 086	113 432 315	(2 195 436)	166 638 965
Community	8 552 159	-	(456 410)	8 095 749
Housing assets	501 169	-	(41 715)	459 454
	<b>74 294 640</b>	<b>114 091 227</b>	<b>(2 754 175)</b>	<b>185 631 692</b>

#### Other Information

The municipality did not pledge any of its assets as security.

No Property, Plant and Equipment were retired from active use and held for disposal during the financial year.

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Refer to Appendices B and C for more detail on Property, Plant and Equipment, including those in the course of construction.

### 9. Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, separately acquired	958 697	(434 912)	523 785	883 539	(324 408)	559 131

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, separately acquired	559 131	75 158	(110 504)	523 785

#### Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software, separately acquired	108 672	532 571	(82 112)	559 131

#### Other Information

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality. Refer to Appendix "B" for more detail on Intangible Assets.

All significant Intangible Assets, that meet the recognition criteria for Intangible Assets as stipulated in GRAP 102, have been identified.

The municipality depreciates all its intangible assets and no of such assets are regarded as having indefinite useful lives. Impairment of intangible assets was taken into consideration during the process of identifying property, plant and equipment. No impairment losses were recognised.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 10. Trade and other payables from exchange transactions

Trade payables	6 641 471	15 648 915
Sundry deposits	35 017	17 482
Staff leave accrual	1 398 017	2 039 994
Accrued bonus	463 460	405 199
Payments received in advance	2 286 720	448 719
Other creditors	1 610 527	2 433 050
	<b>12 435 212</b>	<b>20 993 339</b>

The average credit period on purchases is 232 days (2010: 501 days). No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

### 11. VAT Payable

VAT payable	2 574 028	515 879
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VAT is payable on the receipts basis. VAT is only paid over to SARS once payment is received from debtors.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are effected before the due date.

### 12. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Other spheres of government: Development Bank of SA	1 380 445	1 380 445
Local government: Cacadu District Municipality Grant	1 392 025	1 292 790
Provincial: Department Housing Grant	(196 182)	(196 182)
Provincial: DPLG (Department of Local Government)	7 323 449	7 610 324
Provincial: IDP	225 456	-
Provincial: LED	53 000	-
National: MIG (Municipal Infrastructure Grant)	31 707 822	14 350 029
National: MSIG (Municipal Systems Improvement Grant)	806 623	369 431
National: FMG (Financial Management Grant)	1 799 073	1 341 524
National: Housing Project	(22 053)	-
Provincial: DPLG Community Halls	150 000	-
National: Department of Water Affairs Grant	525 863	525 863
	<b>45 145 521</b>	<b>26 674 224</b>

Refer to Appendix "F" for more detail on Conditional Grants.

See note 20 for reconciliation of grants from National/Provincial and Other Spheres of Government.

These amounts are invested in a ring-fenced investment account until utilised.

### 13. Consumer deposits

Electricity and water	104 700	104 700
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No guarantees were held in lieu of electricity and water deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts the municipality can utilise the deposit as payment for the outstanding account. No interest is paid on consumer deposits held.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>14. Provisions</b>		
Current portion of long service award	37 824	40 754
Current portion of post-retirement medical aid benefit liability	54 434	50 916
	<b>92 258</b>	<b>91 670</b>
<b>Long-term service</b>		
Balance at beginning of year	40 754	103 862
Transfer from non-current	37 824	40 754
Contributions to provision	-	-
Expenditure incurred	(40 754)	(103 862)
	<b>37 824</b>	<b>40 754</b>
<b>Post-retirement medical aid benefit</b>		
Balance at beginning of year	50 916	46 246
Transfer from non-current	54 434	50 916
Contributions to provision	-	-
Expenditure incurred	(50 916)	(46 246)
	<b>54 434</b>	<b>50 916</b>
<b>15. Retirement benefits</b>		
<b>Defined benefit plan</b>		
<b>Post retirement medical aid plan</b>		
Retirement benefit liabilities have been disclosed to adhere to the disclosure provisions of IAS 19.		
The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid membership fee. The defined benefit operated by the municipality for qualifying employees is not funded. No other post-retirement benefits are provided to these employees.		
Actuarial valuations are performed every two years. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2010 by Mr C Weiss, member of the Actuarial Society of South Africa. At this date, two members were eligible for the post retirement medical aid benefit.		
The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.		
<b>Carrying value</b>		
Present value of the defined benefit obligation	(612 447)	(591 914)
Interest cost	(48 600)	(49 957)
Net actuarial gains or losses	-	(16 824)
Benefits paid	50 916	46 248
	<b>(610 131)</b>	<b>(612 447)</b>
<b>Non-current liabilities</b>	<b>(555 697)</b>	<b>(561 531)</b>
<b>Current liabilities</b>	<b>(54 434)</b>	<b>(50 916)</b>
	<b>(610 131)</b>	<b>(612 447)</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>15. Retirement benefits (continued)</b>		
<b>Post-retirement health care benefits liability</b>		
Opening balance	612 447	591 914
Contributions by members	48 600	49 957
Expenditure incurred	(50 916)	(48 248)
Increase / (reduction) due to re-measurement	-	16 824
	<b>610 131</b>	<b>612 447</b>
	<b>(54 434)</b>	<b>(50 916)</b>
	<b>555 697</b>	<b>561 351</b>
<b>Net expense recognised in the statement of financial performance</b>		
Interest cost	48 600	49 957
Actuarial (gains) losses	-	16 824
	<b>48 600</b>	<b>66 781</b>
<b>Key assumptions used</b>		
Assumptions used on last valuation on 30 June 2010.		
Health care cost inflation rate	6.91 %	6.91 %
Net effective discount rate	8.27 %	8.27 %
The post employment health care benefit fund had 2 (2010: 2) members during the year		
The effect of a 1% increase in the assumed long term medical inflation is as follows:		
<b>Increase:</b>		
Effect on aggregate interest cost	53 200	54 800
Effect on defined benefit obligation	665 000	668 000
	<b>718 200</b>	<b>722 800</b>
<b>Decrease:</b>		
Effect on aggregate interest cost	44 600	45 700
Effect on defined benefit obligation	561 000	564 000
	<b>605 600</b>	<b>609 700</b>
<b>16. Provisions</b>		
<b>Reconciliation of provisions</b>		
Opening Balance	552 215	495 393
Current service cost	148 732	104 722
Interest cost	48 049	40 705
Benefits paid	(40 754)	(103 862)
Reduction due to re-measurement	-	15 257
Accrued Liability	<b>706 242</b>	<b>552 215</b>
Transferred to current provisions	<b>(37 824)</b>	<b>(40 754)</b>
	<b>668 418</b>	<b>511 461</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 16. Provisions (continued)

Amounts recognised in the Statement of Financial Performance as follows:

Current service cost	42 231	104 722
Interest cost	48 049	40 705
Actuarial gains and losses	-	15 257
	<u>90 280</u>	<u>160 684</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 5 years of continuous service and every 5 years thereafter to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

Actuarial valuations are performed every two years. The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 30 June 2010 by Mr C Weiss, Member of the Actuarial Society of South Africa. At this date, 130 employees were eligible for Long-services Awards.

The defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The Current-service Cost and Interest cost incurred are estimated to be R146 732 and R48 049 respectively (2010: R104 722 and R40 705), whereas the cost for the ensuing year is estimated to be R103 010 and R37 824.

Non-current liabilities	668 418	511 461
Current liabilities	37 824	40 754
	<u>706 242</u>	<u>552 215</u>

The principal assumptions used for the purpose of the actuarial valuation were as follows:

Discount rate	9.53%	9.53%
Cost of inflation	6.4%	6.4%

The effect of a 1% increase in the assumed rate of long service cost inflation is as follows:

#### Increase:

Effect on the aggregate of the current service cost and the interest cost	150 889	153 281
Effect on the defined benefit obligation	638 000	584 000
	<u>788 889</u>	<u>737 281</u>

#### Decrease:

Effect on the aggregate of the current service cost and the interest cost	134 863	138 251
Effect on the defined benefit obligation	566 000	523 000
	<u>700 863</u>	<u>661 251</u>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>17. Property rates</b>		
<b>Rates received</b>		
Residential	7 943 164	6 975 364
<b>Valuations</b>		
Residential	900 697 000	900 697 000
Commercial	222 980 000	222 980 000
State	540 494 600	540 494 600
Municipal	-	-
Agricultural	1 663 265 000	1 663 265 000
Exempted properties	294 037 400	294 037 400
	<b>3 621 474 000</b>	<b>3 621 474 000</b>

Assessment Rates are levied on the value of land and improvements, which valuation is performed every four years. The last general valuation came into effect on 1 July 2009. A uniform rate for the same class and type of property will be applied with the implementation of the Property Rates Act. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of 5.341c/R (2010:4.9879c/R) is applied to property valuations to determine assessment rates. Rebates of 20% (2010: 20%) are granted to properties owned by the state.

Rates are levied on a monthly basis and are payable on the 7th of each month. Property owners can request that the full amount for the year be raised in July in which case the amount has to be paid by 30 September 2011.

### 18. Service charges

Sale of electricity	1 431 955	1 256 255
Sale of water	5 473 115	6 403 110
Sewerage and sanitation charges	5 155 971	4 604 358
Refuse removal	2 493 592	2 242 138
	<b>14 554 633</b>	<b>14 505 861</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

### 19. Rental of facilities and equipment

#### Premises

Operating lease income from investment property	-	129 601
Rental revenue from halls	84 840	37 757
Rental revenue from houses	66 136	8 976
	<b>150 976</b>	<b>176 334</b>

#### Facilities and equipment

Rental revenue from toilets	219	1 330
Rental revenue from office equipment	761	-
Rental revenue from other facilities	6 035	26 303
	<b>7 015</b>	<b>27 633</b>
	<b>157 991</b>	<b>203 967</b>

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>20. Government grants and subsidies</b>		
Provincial: Equitable share	22 754 154	18 224 387
National: FMG (Financial Management Grant)	2 542 451	2 319 612
Provincial: DPLG (Department Local Government Grant)	487 987	3 018 092
National: MIG (Municipal Infrastructure Grant)	33 040 858	125 843 411
Other spheres of Government: Development Bank of South Africa	-	3 133 170
National: DWAF Grant	-	1 015 598
Local Government - Cacadu District Municipality	240 200	1 228 196
Provincial: IDP (Integrated Development Plan)	219 972	-
National: MSIG (Municipal Systems Improvement Grant)	312 808	342 717
Provincial: Department of Housing Grant	9 155 639	4 770 464
	<b>68 754 069</b>	<b>159 895 647</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy based on the monthly billing, towards the consumer account, which subsidy is determined annually by council. All residential households receive 6 kl water and certain poor areas 50 kWh electricity free every month

Provincial: Equitable Share	22 754 154	18 224 387
<b>National: FMG (Financial Management Grant)</b>		
Balance unspent at beginning of year	1 341 524	911 136
Current-year receipts	3 000 000	2 750 000
Conditions met - transferred to revenue	(2 542 451)	(2 319 612)
	<b>1 799 073</b>	<b>1 341 524</b>

Conditions still to be met - remain liabilities (see note 12)

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### Provincial: DPLG (Department Local Government Grant)

Balance unspent at beginning of year	7 610 324	8 628 416
Current-year receipts	-	2 000 000
Conditions met - transferred to revenue	(487 987)	(3 018 092)
Other	201 112	-
	<b>7 323 449</b>	<b>7 610 324</b>

Conditions still to be met - remain liabilities (see note 12)

The funds have been received as bridging funds for the sewerage project, property valuation, acquiring of service delivery vehicles and paying creditors. No funds have been withheld. VAT on the receipt was incorrectly recorded and is included in the unreconciled errors disclosed in note 49.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 20. Government grants and subsidies (continued)

#### National: MIG (Municipal Infrastructural Grant)

Balance unspent at beginning of year	14 350 029	7 673 564
Current-year receipts	49 491 863	138 150 559
Conditions met - transferred to revenue	(33 040 858)	(125 843 411)
Other	908 788	(5 630 683)
	<b>31 707 822</b>	<b>14 350 029</b>

Conditions still to be met - remain liabilities (see note 12)

The Municipal Infrastructure Grant (MIG) was allocated for the development of infrastructure. Funds have been distributed via the Local District Municipality. VAT on the receipt was incorrectly recorded and is included in the unreconciled errors disclosed in note 49.

#### Other government - DBSA (Development Bank of South Africa) Grant

Balance unspent at beginning of year	1 380 445	(371 933)
Current-year receipts	-	4 885 548
Conditions met - transferred to revenue	-	(3 133 170)
	<b>1 380 445</b>	<b>1 380 445</b>

Conditions still to be met - remain liabilities (see note 12)

The Development Bank of South Africa allocates funds to ensure that infrastructure is maintained and improved. The grant was utilised for this purpose. No funds have been withheld.

#### National: DWAF Grant

Balance unspent at beginning of year	525 863	525 863
Current-year receipts	-	1 015 598
Conditions met - transferred to revenue	-	(1 015 598)
	<b>525 863</b>	<b>525 863</b>

Conditions still to be met - remain liabilities (see note 12)

The Department of Water and Forestry Grant was allocated to the municipality to improve municipal systems and was used for indigent surveys, fixed asset register and drafting of water bylaws. No funds have been withheld.

#### Local Government - Cacadu District Municipality

Balance unspent at beginning of year	1 292 790	(214 847)
Current-year receipts	339 435	2 735 834
Conditions met - transferred to revenue	(240 200)	(1 228 197)
	<b>1 392 025</b>	<b>1 292 790</b>

Conditions still to be met - remain liabilities (see note 12)

These funds have been received for the repairs on damages to houses caused by floods and for LED Projects. No funds have been withheld.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 20. Government grants and subsidies (continued)

#### Provincial: IDP (Integrated Development Plan)

Balance unspent at beginning of year	-	-
Current-year receipts	445 428	-
Conditions met - transferred to revenue	(219 972)	-
	<u>225 456</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12)

The Integrated Development Grant was allocated in pursuance of the integrated plan to be implemented by the municipality.

#### National: MSIG (Municipal Systems Improvement Grant)

Balance unspent at beginning of year	369 431	312 148
Current-year receipts	750 000	400 000
Conditions met - transferred to revenue	(312 808)	(342 717)
	<u>806 623</u>	<u>369 431</u>

Conditions still to be met - remain liabilities (see note 12)

The Municipal Systems Improvement Grant (MSIG) was allocated for the improvement of internal systems. No funds have been withheld.

#### Provincial: Department of Housing Grant

Balance unspent at beginning of year	(196 182)	(206 082)
Current-year receipts	-	4 780 364
Conditions met - transferred to revenue	-	(4 770 464)
	<u>(196 182)</u>	<u>(196 182)</u>

Conditions still to be met - remain liabilities (see note 12)

The grant was allocated for the building and repair of houses. The municipality acts as agent for implementation of the plan. No funds have been withheld.

#### Provincial: LED (Local Economic Development)

Current-year receipts	53 000	-
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Conditions still to be met - remain liabilities (see note 12)

#### National: Housing Project Grant

Current-year receipts	9 133 586	-
Conditions met - transferred to revenue	(9 155 639)	-
	<u>(22 053)</u>	<u>-</u>

Conditions still to be met - remain liabilities (see note 12)

The grant was allocated to provide assistance for the housing project.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 20. Government grants and subsidies (continued)

#### Provincial: Community Halls Grant

Current-year receipts

150 000

-

Conditions still to be met - remain liabilities (see note 12)

The grant was allocated for the refurbishment of the community halls.

#### Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No 2 of 2009), government grant funding is expected to increase over the forthcoming 2 financial years.

### 21. Other income

Connection fees

8 145

5 451

Valuation certificates

8 647

4 985

Building plan fees

93 045

154 649

Land use application fees

29 158

44 317

Information fees

16 278

17 470

Cemetery fees

63 663

40 749

Sundry other income

1 119 020

1 082 474

1 337 956

1 350 095

The amounts disclosed above for Other income are in respect of services, other than described in Notes 17 and 18, rendered which were billed to or paid for by the users as the services are required according to approved tariffs.

### 22. Interest received

#### Interest revenue

Bank

158 491

97 981

Investments

1 832 354

3 890 623

1 990 845

3 988 604

### 23. Employee related costs

Salaries, Wages and Bonuses

15 243 020

15 027 278

Contributions for UIF, Pensions and Medical aids

2 522 562

2 115 251

Defined benefit plan expense

(2 316)

143 845

Overtime payments

241 346

852 186

Housing benefits and allowances

(29 235)

(94 423)

Travel, Motor Car, Accommodation, Subsistence and Other Allowances

2 912 940

3 457 216

20 888 317

21 501 353

#### Remuneration of the Municipal manager

Annual Remuneration

440 630

380 800

Car Allowance

168 000

240 533

Performance Bonuses

-

-

Contributions to UIF, Medical and Pension Funds

81 628

1 373

690 258

602 706

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>23. Employee related costs (continued)</b>		
<b>Remuneration of the Chief financial officer</b>		
Annual Remuneration	342 205	338 966
Car Allowance	157 500	224 491
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1 123	1 497
	<b>500 828</b>	<b>564 954</b>
<b>Remuneration of the Manager: Corporate services</b>		
Annual Remuneration	360 515	113 715
Car Allowance	103 000	47 759
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	81 574	8 587
	<b>545 089</b>	<b>170 061</b>
<b>Remuneration of the Manager: Strategic Services</b>		
Annual Remuneration	-	255 859
Car Allowance	-	151 460
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	-	19 814
	-	<b>427 133</b>
<b>Remuneration of the Manager: Technical Services</b>		
Annual Remuneration	141 164	481 328
Car Allowance	24 262	68 091
Contributions to UIF, Medical and Pension Funds	374	1 497
	<b>165 800</b>	<b>550 916</b>
<b>24. Remuneration of councillors</b>		
Executive Major	559 905	418 129
Councillors	1 077 967	757 785
Sundry allowances	403 630	544 371
	<b>2 041 502</b>	<b>1 720 285</b>
<b>In-kind benefits</b>		
The Councillor occupying the position of Mayor serves in a full-time capacity. He is provided with office accommodation and secretarial support at the expense of the municipality in order to enable him to perform his official duties.		
The Mayor has the use of separate Council owned vehicles for official duties.		
The Mayor has a full-time driver.		
<b>25. Impairment of assets</b>		
<b>Impairments</b>		
Trade and other receivables	13 904 894	19 189 076

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>26. Finance costs</b>		
Other interest paid	153 700	79 097
<b>27. Bulk purchases</b>		
Electricity	1 661 643	1 364 574
Water	81 892	152 690
	<b>1 743 535</b>	<b>1 517 264</b>

Bulk purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst water is purchased from Louterwater Engineering Works.

Material losses on bulk purchases of water and electricity could not be quantified due to unmetered water and electricity consumption.

### 28. Contracted services

Security Services	458 992	399 622
Valuation Services	299 028	1 018 092
Project Management Fees	-	108 204
Project Fees	2 223	240 240
Contractors' Fees	777 911	790 685
	<b>1 538 154</b>	<b>2 556 843</b>

### 29. Grants and subsidies paid

#### Other subsidies

Low income subsidy / Free basic service	2 423 843	1 048 548
Community projects	24 297 225	15 445 430
	<b>26 721 068</b>	<b>16 493 978</b>

Community Projects are in respect of conditional and other grants utilised for the upliftment of housing and basic service needs of communities and flood/drought relief within the municipality's area of jurisdiction.

The Low Income Subsidy/Free Basic Services is in respect of providing basic service levels to indigent/residential households. Refer to Note 20.

The Mayor makes grants available on application after consultation with the Municipal Manager on the merits of such an application.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>30. General expenses</b>		
Advertising	139 961	87 106
Auditors remuneration	951 595	285 492
Bank charges	102 871	97 739
Consulting and professional fees	270 967	345 066
Insurance	902 249	325 203
Conferences and seminars	20 838	2 000
Lease rentals on operating lease	494 620	376 370
Levies	179 123	189 674
Fuel and oil	1 208 403	1 034 033
Printing and stationery	355 515	161 349
Subscriptions and membership fees	272 262	10 702
Telephone and fax	811 685	926 169
Training	3 098	5 000
Travel - local	362 009	565 090
Refuse	42 000	79 920
Capacity building	(2 722)	1 693 013
L E D Strategy expenses	(8 314)	127 371
Licence fees	184 783	169 816
Materials and stores	222 840	769 961
Mayoral discretionary expenses	320	27 140
Refreshments	14 783	12 518
Chemicals	586 367	77 232
Other general expenses	1 638 075	1 591 639
	<b>8 753 328</b>	<b>8 959 603</b>

The amounts disclosed above for Other general expenses are in respect of costs incurred in the general management of the municipality and not directly attributable to a specific service or class of expense.

### 31. Cash generated from operations

Surplus	10 951 456	112 170 945
<b>Adjustments for:</b>		
Depreciation and amortisation	8 863 221	3 916 806
Impairment deficit	13 904 894	19 189 076
Movements in retirement benefit assets and liabilities	151 711	143 845
Movements in provisions	(583 716)	802 058
Prior period errors	8 127 571	-
<b>Changes in working capital:</b>		
Trade and other receivables from exchange transactions	(14 493 789)	(11 962 924)
Other receivables from non-exchange transactions	(5 971 332)	(5 206 533)
Trade and other payables from exchange transactions	(7 974 411)	(12 196 404)
VAT	2 058 149	(1 701 052)
Unspent conditional grants and receipts	18 471 297	9 415 959
	<b>33 505 051</b>	<b>114 571 776</b>

### 32. Depreciation and amortisation

Property, plant and equipment	8 743 072	3 825 049
Investment property	9 645	9 645
Intangible assets	110 504	82 112
	<b>8 863 221</b>	<b>3 916 806</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 33. Operating lease

#### Leasing arrangements

##### The municipality as lessee

Operating leases relate to property, plant and equipment with lease terms not longer than 5 years with an option to extend for a further period. All operating lease contracts contain market review clauses in the event that the municipality exercises its option to renew. The municipality does not have an option to purchase the leased asset at the expiry of the leased period.

The municipality has operating lease agreements for the following classes of assets:

- Office equipment

The following restrictions have been imposed on the municipality in terms of the lease agreements on office equipment:

- The equipment shall remain the property of the lessor;
- The lessee shall not sell, sublet, cede, assign or delegate any of its rights or obligations on the equipment;
- The equipment shall be returned in good order and condition to the lessor upon termination of the agreement.

At reporting date the municipality had outstanding commitments under non-cancellable operating leases for property, plant and equipment, which fall due as follows:

#### Office equipment

Up to 1 year	14 877	133 593
2 to 5 years	-	13 050
More than 5 years	-	-
	<b>14 877</b>	<b>146 643</b>

The following payments have been recognised as an expense in the Statement of Financial Performance:

Minimum lease payments	494 620	175 790
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### 34. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for

• Infrastructure	6 515 516	45 011 830
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This committed expenditure relates to plant and equipment and will be financed by government grants.

#### Other commitments

The municipality had entered into a contract with Mandithando Security and Cleaning Services for the provision of security services for 3 years. The contract commenced in May 2011.

#### Minimum lease payments due

- within one year	535 890	-
- in second to fifth year inclusive	1 152 780	-
	<b>1 688 670</b>	<b>-</b>

The municipality entered into a contract with Telkom for the provision of hosting solutions relating to VPNS connectivity, message suite email solution and web hosting for four years. The contract commenced in May 2011. An amount of R 510 640 has been incurred on the contract during the year.

The municipality has also awarded Strydom and Kroqwana Construction the contract for the total rectification of RDP houses within the municipal area. The total value of the award is R4 822 400.



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 35. Comparative figures

The comparative figures were restated due to the full implementation of the Standards of GRAP listed below. Refer to change in accounting policy disclosed in Note 48.

- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 102 Intangible Assets

### 36. Related parties

#### Members of key management

Municipal Manager

S Nkuhlu

Chief Financial Officer

S Spellman

Manager: Corporate Services

V Tsako

Manager: Technical Services

D Dluwayo

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party to exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager. Refer to Note 23 regarding the remuneration paid to key management.

#### Related party transactions

##### MS Vuso - Mayor (appointed 23/05/2011)

##### Sinaw' Amandla Construction

• Refuse removal award (October 2010)

10 319

-

• Implementation of the neighbourhood revitalisation programme at Storms River West village (May 2011)

100 000

-

Payments made to date

(110 319)

-

##### BT Jantjies - Councillor (appointed 23/05/2011)

##### Sukkot Trading CC

Tiling of the municipal building (April 2011)

45 945

-

Payments to date

(45 945)

-

##### I Aberdian - Office of the Minister in the Department of Mineral Resources

##### Bigen Africa Services (Pty) Ltd

Flood relief consultants (February 2009 - December 2010)

366 153

-

Payments to date

(366 153)

-

### 37. Risk management

#### Financial risk management

The municipality has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risks and exposures are disclosed below:

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

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### 37. Risk management (continued)

#### Credit risk

Credit risk is the risk of financial loss to the municipality if a customer or counterparty to a financial instrument fails to meet its contractual obligation, and arises principally from the municipality's receivables from customers and investment securities.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses other publicly available financial information and its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances. Maximum exposure to credit risk not covered by collateral is specified. No collateral is obtained from customers as security for debt provided.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting maximum terms, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Council.

Trade Receivables consist of a large number of customers, spread across diverse industries in the geographical area of the municipality. Periodic credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee is increased accordingly.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Financial Instrument	2011	2010
Long-term receivable (current portion)	13 408	13 408
Trade and other receivables from exchange transactions	7 738 465	1 375 952
Other receivables from non-exchange transactions	2 345 604	2 147 890
Bank and cash balances	16 276 461	7 698 564

#### Liquidity risk

Liquidity is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timely basis and, if required, additional new arrangements are established at competitive rates to ensure cash flow requirements are met.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 37. Risk management (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

#### Capital risk management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2010.

The capital structure of the municipality consists of debt which is defined as the Unspent conditional grants disclosed in Note 12, cash and cash equivalents disclosed in note 6, and equity which includes all funds and reserves of the municipality disclosed as net assets in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total equity. Net debt is calculated as total debt less cash and cash equivalents.

There are no externally imposed capital requirements.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Directorate: Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2011 and 2010 respectively were as follows:

<b>Total borrowings</b>			
Unspent conditional grants	12	45 145 521	26 674 226
Less: Cash and cash equivalents	6	(16 276 461)	(7 698 564)
<b>Net debt</b>		<b>28 869 060</b>	<b>18 975 662</b>
<b>Total equity</b>		<b>167 091 573</b>	<b>148 012 546</b>
<b>Total capital</b>		<b>195 960 633</b>	<b>166 988 208</b>
<b>Net debt to equity ratio</b>		<b>17.3%</b>	<b>12.82%</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

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### 37. Risk management (continued)

#### Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

At 30 June 2011, if interest rates on Rand-denominated investments had been 0.1% higher/lower with all other variables held constant, post-tax surplus for the year would have been R 16 276 (2010: R 7 698) lower/higher, mainly as a result of higher/lower interest earned on the short-term call deposits and bank and cash balances.

### 38. Financial assets by category

In accordance with with IAS 39.09 the Financial Assets of the municipality are classified as follows:

#### 2011

	Loans and receivables	Available-for-sale	Total
Loans to employees	13 408	-	13 408
Trade and other receivables from exchange transactions	7 738 465	-	7 738 465
Cash and cash equivalents	-	16 276 461	16 276 461
Trade and other receivables from non-exchange transactions	2 345 604	-	2 345 604
	<b>10 097 477</b>	<b>16 276 461</b>	<b>26 373 938</b>

#### 2010

	Loans and receivables	Available-for-sale	Total
Loans to employees	13 408	-	13 408
Trade and other receivables from exchange transactions	1 375 952	-	1 375 952
Cash and cash equivalents	-	7 698 564	7 698 564
Trade and other receivables from non-exchange transactions	2 147 890	-	2 147 890
	<b>3 537 250</b>	<b>7 698 564</b>	<b>11 235 814</b>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
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### 39. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2011

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	45 145 521	45 145 521
Trade and other payables	10 573 735	10 573 735
Consumer deposits	104 700	104 700
	<b>55 823 956</b>	<b>55 823 956</b>

#### 2010

	Financial liabilities at amortised cost	Total
Unspent conditional grants and receipts	26 674 226	26 674 226
Trade and other payables	18 548 146	18 548 146
Consumer deposits	104 700	104 700
	<b>45 327 072</b>	<b>45 327 072</b>

### 40. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2011.

### 41. Unauthorised expenditure

Opening balance	16 970 000	16 970 000
Unauthorised expenditure - current year	-	-
• Depreciation	8 863 221	-
• Bad debts	4 000 793	-
Approved by Council or condoned	-	-
Unauthorised expenditure awaiting authorisation	-	-
	<b>29 834 014</b>	<b>16 970 000</b>

Unauthorised expenditure is expenditure which has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

### 42. Fruitless and wasteful expenditure

Opening balance	117 426	37 853
Add: Fruitless and wasteful expenditure - current year	247 699	79 573
Condoned or written off by Council	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	<b>365 125</b>	<b>117 426</b>

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>43. Irregular expenditure</b>		
Opening balance	345 716	93 410
Add: Irregular Expenditure - current year	621 940	1 073 241
Less: Amounts recoverable (not condoned)	(457 896)	(820 935)
	<b>509 660</b>	<b>345 716</b>

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Unauthorised expenditure is accounted for as an expense in the statement of financial performance. If the expenditure is not condoned by the Council it is treated as an asset until it is recovered or written off as irrecoverable. In certain instances, the required disclosures have not been made due to the inability to quantify the amounts involved.

### 44. Contingencies

#### Contingent liabilities

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability can also arise from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality had outstanding litigations and claims relating to the following personnel matters:

- W. Hloyi Disciplinary hearing
- C. Gongqongqo Disciplinary hearing
- C Senatle Disciplinary hearing
- L. Bebeza and others A claim was lodged against the municipality due to irregular allowances deducted from the salaries of the employees.
- B. Olivier Disciplinary hearing
- S. Spellman Arbitration
- M. Ndokweni Arbitration
- E. Cunningham and others Arbitration
- F. Gaushe A municipality is defending a claim of R275 537 for unfair dismissal. An amount of R129 000 was paid subsequent to year end and the outcome of the remaining R146 357 is still uncertain.
- C. Oudtshoorn A claim of R437 262 was lodged against the municipality due to the short payment of post retirement liabilities. The outcome of the claim is still uncertain.
- MTO Forestry A claim of R80 000 has been lodged against the municipality.
- Minnaar A claim of R50 000 has been lodged against the municipality.

#### Contingent assets

The municipality was not engaged in any transactions or events during the year under review involving contingent assets.

### 45. In-kind donations and assistance

The municipality received the following in-kind donations and assistance:

- Secondment of one Financial Expert by DBSA for two years
- Secondment of one Engineer by DBSA for two years
- Secondment of three Young Technical Professionals by DBSA for two years
- Secondment of five officials from the Provincial Treasury

### 46. Comparison with budget

The comparison of the municipality's actual financial performance with that budgeted is set out in Appendix E(1).

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>47. Additional disclosure in terms of Municipal Finance Management Act</b>		
<b>Contributions to organised local government</b>		
Council subscriptions	20 301	103 151
<b>Audit fees</b>		
Current year audit fee	951 595	772 343
Amount paid - current year	(951 595)	(772 343)
	-	-
<b>PAYE and UIF</b>		
Current year payroll deductions	2 720 549	2 728 514
Amount paid - current year	(2 720 549)	(2 728 514)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current year payroll deductions and council contributions	4 325 823	1 793 846
Amount paid - current year	(4 325 823)	(1 793 846)
	-	-
<b>VAT</b>		
VAT payable	2 574 028	515 879

VAT output payables and VAT input receivables are shown in note 11.

### Councillors' arrear consumer accounts

There were no arrear consumer accounts due from Councillors at 30 June 2011. The following Councillors had arrear accounts outstanding at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Wogane MW	553	434	987
Councillor Jacobs S	484	2 686	3 170
	1 037	3 120	4 157

During the prior year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2010	Highest outstanding amount	Aging (in days)
Councillor Wogane MW	434	90
Councillor Jacobs S	2 686	90
	3 120	180

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

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### 47. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The deviations from the Supply Chain Management Policy have not been disclosed as it was not practically feasible to quantify the amounts involved.

### 48. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) on a basis consistent with the prior year except for the full adoption of the following new or revised standards and the departures disclosed in Note 2:

- GRAP 16 Investment Property
- GRAP 17 Property, Plant and Equipment
- GRAP 102 Intangible Assets

#### Full adoption of GRAP Standards

During the year, the municipality implemented its accounting policy for depreciating property, plant and equipment, investment property and intangible assets in order to comply with the benchmark treatment required by the Standards of GRAP listed above as well as the basis of preparation per GRAP 1.

On principle these standards have been applied retrospectively and the 2010 comparatives contained in these annual financial statements differ from those published in the annual financial statements published for the year ended 30 June 2010.

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2010 is as follows:

#### Statement of financial position

##### Property, plant and equipment

Previously stated	-	217 364 054
Accumulated Depreciation - prior years	-	(27 907 313)
Depreciation - current year	-	(3 825 049)
	-	185 631 692

##### Intangible assets

Previously stated	-	883 539
Accumulated depreciation - prior years	-	(242 296)
Depreciation - current year	-	(82 112)
	-	559 131

##### Investment property

Previously stated	-	289 543
Accumulated depreciation - prior years	-	(241 185)
Depreciation - current year	-	(9 645)
	-	38 713

#### Statement of financial performance

##### Depreciation

Property, plant and equipment	-	(3 825 049)
Intangible assets	-	(82 112)
Investment property	-	(9 645)
	-	(3 916 806)



# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>48. Changes in accounting policy (continued)</b>		
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Depreciation		
Previously stated	-	-
Adjustment	-	3 916 806
	-	<u>3 916 806</u>
<b>Statement of financial performance</b>		
Surplus for the year - previously reported	-	116 021 261
Change in accounting policy	-	(3 916 806)
Prior period error	-	<u>66 490</u>
	-	<u>112 170 945</u>
<b>49. Prior period errors</b>		
The balance disclosed in the Statement of Financial Position at 30 June 2010 for the long-service award non-current liability was incorrectly reflected in the prior year due to an error in the allocation of service costs incurred.		
Further, numerous amounts were incorrectly allocated to the accumulated surplus account due to an error in the accounting system. As the issue is currently being investigated it is not practically feasible to disclose the full extent of the prior period error. The correction of the errors results in adjustments as follows:		
<b>Statement of financial position</b>		
Non-current liability (Long-service award)	-	(66 490)
Opening Accumulated Surplus	(8 127 571)	-
<b>Accumulated Surplus</b>		
Drought Relief Project expenditure incurred during the 2009/2010 financial year	(860 120)	-
The Grant was funded by Cacadu District Municipality and council was only reimbursed for it in this financial year		
The VAT claimed back in respect of the above mentioned project	(104 445)	-
These amounts are considered to be council's own revenue but where not treated as such.		
Insurance claim submitted and paid during the 2009/2010 financial year	114 190	-
The amount was however incorrectly disclosed as a debtor		
Cape Joint Pension Fund shortfall	103 125	-
The pension fund had a shortfall at 30 June 2009 which was not accounted for in council's financial records.		
Impairment loss on trade receivables	(5 722 252)	-
VAT was incorrectly treated in the provision raised.		
Trade creditors overstatement	854 116	-
Council's records were corrected to agree to the age analysis.		
Bank suspense account entries cleared	(169 684)	-
Entries included in the Internal Bank Transfer Suspense Account were reviewed and cleared.		
Unidentified deposits	(3 273 554)	-
Amounts which could not be verified for an extended period of time were released to revenue.		
Accumulated Surplus	932 316	-
The amount was incorrectly allocated to accumulated surplus due to a system error which is currently being investigated.		
Other corrections	(1 263)	-
	<u>(8 127 571)</u>	<u>-</u>

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand	2011	2010
<b>49. Prior period errors (continued)</b>		
<b>Statement of financial performance</b>		
Employee costs	-	(66 490)
<b>Cash flow statement</b>		
<b>Cash flow from operating activities</b>		
Provisions	-	(66 490)
Prior year adjustments	(8 127 571)	-
	<b>(8 127 571)</b>	<b>(66 490)</b>

### 50. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We draw your attention to the fact that at 30 June 2011, the municipality's current liabilities exceeded its current assets by R 33 977 781.

Furthermore, there are a number of other events and conditions that, individually or collectively, may cast significant doubt about the going concern assumption and place the municipality's financial sustainability under threat. These indicators include, amongst others:

- The recoverability of the municipality's trade and other receivables has decreased and debtors days increased to 164 (2010: 60), exceeding credit terms of 30 days due to the high incidence of non-payment by communities for services rendered;
- Creditors days have increased to 231 days (2010: 501), exceeding credit terms of 30 days. The inability of the municipality to pay creditors has resulted in certain service providers suspending services to the municipality or withdrawing access to credit;
- Failure to comply with laws and regulations has resulted in certain grants being allocated to Cacadu to administer. Further, National Treasury has deducted R2 700 000 from the municipality's Equitable Share on the 7 July 2011 as the municipality was unable to provide National Treasury with information to verify all unspent conditional grants for the period 2005-2006 to 2008-2009;
- Certain service providers have suspended their services to the municipality due to non-payment and certain suppliers only provide services on the cash basis now;
- The community is refusing to pay for services due to incorrect accounts, faulty water meters and a delay in receiving statements;
- The chief financial officer has also further indicated that there is a concern that there might not be sufficient cash flow to pay salaries and settle accounts at the end of this calendar year if further funds are not obtained.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that National and Provincial Governments will continue to financially support the municipality with regard to equitable share contributions. Should these equitable share contributions be decreased, there exists the possibility that the municipality may not be able to continue as a going concern.

# Kou-Kamma Municipality

Annual Financial Statements for the year ended 30 June 2011

## Notes to the Annual Financial Statements

Figures in Rand

2011

2010

### 51. Multi-employer retirement benefit information

Kou-Kamma Municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes. All councillors belong to the Pension Fund for Municipal councillors. All other employees belong to a variety of approved Pension and Provident funds as described below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds due to the following reasons:

- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
- One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
- The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer. The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors/employees leave the plans prior to vesting of the contributions, the contributions payable by the municipality are reduced by the amount of the forfeited benefits.

The retirement funds have been valued by making use of the discounted cash flow method of valuation.

#### Defined Benefit Schemes: Cape Joint Pension Fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed on 30 June 2010. The most recent valuation was not obtained from the fund administrators and could not be disclosed. The statutory valuation performed on 30 June 2009 revealed that the fund had a surplus of R182,7 million with a funding level of 100% and a solvency reserve with a closing balance of R220.6 million. The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is less than the recommended contribution rate of 32.1%.

#### Defined Contribution Schemes: Cape Joint Pension Fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed on 30 June 2010. The most recent valuation was not obtained from the fund administrators and could not be disclosed. The statutory valuation performed as at 30 June 2009 revealed that the investment reserve of the fund amounted to R1,171 million with a funding level of 100.3%. The contribution rate paid by the members (9.00%) and the municipalities (18.00%) is sufficient to fund the benefits accruing from the fund in the future.

#### Cape Joint Retirement Fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2009. The statutory valuation performed as at 30 June 2009 revealed that the assets of the fund amounted to R6 842 (30 June 2008: R6 675) million, with funding levels of 100,8% and 131,9% (30 June 2008: 101,1% and 112,2%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (9,00%) and the municipalities (18,00%) is sufficient to fund the benefits accruing from the fund in the future.

#### Municipal councillors Pension Fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2006. The Municipal councillors' Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13,75%) and their councils (15,00%) is sufficient to fund the benefits accruing from the fund in the future. The last actuarial valuation of the fund was undertaken at 30 June 2006, and the actuary reported that the fund was as a whole in a sound financial position, with a funding level of 106,5%.

#### South African Municipal Workers Union National Provident Fund

The scheme is subject to an actuarial valuation every three years. The last statutory valuation was performed as at 30 June 2005. The statutory valuation performed as at 30 June 2005 revealed that the fund had a funding ratio of 100.0% (30 June 2002: 100,0%). The contribution rate paid by the members (not less than 5,00%) and Council (not less than 12,00%) is sufficient to fund the benefits accruing from the fund in the future.

The valuations for the funds have not been submitted to the Municipality and it is not possible to further disclose the updated information for the funds mentioned above. None of these plans are State Plans.

**APPENDIX A**  
**KOU-KAMMA MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2011**

Description	2010/2011 Actual R	2010/2011 Budget R	2010/2011 Variance R	2010/2011 Variance %	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>					
Property Rates	7 943 164	7 940 600	2 564	0%	
Service Charges	14 554 633	17 433 300	(2 878 667)	-20%	Indigent billed at nil in respect of actual Budget Includes Indigent.
Rental of Facilities and Equipment	157 991	217 400	(59 409)	-38%	Lease of R10 000 ended November 2010
Interest Earned - External Investments	1 990 845	2 721 100	(730 255)	-37%	Less Interest was received in respect of Flood Relief funds
Fines	287 493	286 600	893	0%	
Income for Agency Services	1 465 002	875 300	589 702	40%	Joubertina Testing centre was open in the course of the year.
Government Grants and Subsidies	68 754 069	96 778 300	(28 025 231)	-41%	Housing rectification was implemented late in year.
Other Income	1 337 956	8 555 800	(7 217 844)	-539%	Income received from Val returns and Interest on Investments and grant.
<b>Total Revenue</b>	<b>96 491 153</b>	<b>134 809 500</b>	<b>(38 318 347)</b>	<b>(28.42)</b>	
<b>EXPENDITURE</b>					
Employee Related Costs	20 866 317	32 048 000	(11 159 683)	-53%	Posts budgeted for but not filled.
Remuneration of Councillors	2 041 502	3 418 200	(1 376 698)	-67%	Council increase budget for but not implemented
Collection Costs	-	901 900	(901 900)	-100%	
Depreciation	8 863 221	-	8 863 221	100%	
Impairment Losses	-	760 600	(760 600)	-100%	
Bad debts	13 904 893	9 904 100	4 000 793	29%	Collection rate was lower than anticipated. Impairment increased accordingly
Repairs and Maintenance	931 978	2 192 300	(1 260 322)	-135%	Flood Relief funding was largely used to maintain Infrastructure
Interest Paid	153 701	187 600	(33 899)	-22%	Penalty Interest less than budgeted.
Bulk Purchases	1 743 534	1 945 300	(201 766)	-12%	
Contracted Services	1 538 154	1 777 400	(239 246)	-16%	Service providers contracts were not increased.
Grants and Subsidies Paid	26 721 088	78 178 300	(51 457 232)	-193%	Housing rectification was implemented late in year.
General Expenses	8 753 327	11 176 300	(2 422 973)	-28%	Sundry projects not undertaken.
Loss on disposal of Property, Plant and Equipment	-	-	-		
<b>Total Expenditure</b>	<b>85 539 695</b>	<b>142 490 000</b>	<b>(56 950 305)</b>	<b>(39.97)</b>	
<b>NET SURPLUS / (DEFICIT) FOR THE YEAR</b>	<b>10 951 458</b>	<b>(7 880 500)</b>	<b>18 831 958</b>	<b>242.59</b>	

**APPENDIX B  
EDUCATIONAL LOCAL INDEBTEDNESS ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 1991**

Description	Chief Executives				Accumulated Depreciations				Accumulated Depreciations / Depreciable				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Opening Balance	Additions	Disposals	Charging Balance	Opening Balance	Additions	Disposals	Charging Balance	
<b>LAND AND BUILDING ASSETS</b>													
Land													
Land - Developed	2 431 695	-	-	-	-	-	-	-	-	-	-	-	2 431 695
Farms	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings	1 566 611	-	-	-	-	-	-	-	-	-	-	-	1 566 611
Other Buildings	34 212	-	-	-	-	-	-	-	-	-	-	-	34 212
Other Buildings	748 195	-	-	-	-	-	-	-	-	-	-	-	748 195
	4 736 703	-	-	-	-	-	-	-	-	-	-	-	4 736 703
<b>INFRASTRUCTURE ASSETS</b>													
Electricity	1 625 044	219 522	-	-	-	-	-	-	-	-	-	-	1 844 566
High Voltage Cables	2 149 797	-	-	-	-	-	-	-	-	-	-	-	2 149 797
Telecom	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	180 947 293	18 262 160	-	-	-	-	-	-	-	-	-	-	199 209 453
Drainage	4 322 761	-	-	-	-	-	-	-	-	-	-	-	4 322 761
Stormwater	11 798	-	-	-	-	-	-	-	-	-	-	-	11 798
Stormwater	1 888 279	-	-	-	-	-	-	-	-	-	-	-	1 888 279
Stormwater	3 441 546	-	-	-	-	-	-	-	-	-	-	-	3 441 546
Stormwater	1 975 717	-	-	-	-	-	-	-	-	-	-	-	1 975 717
Stormwater	5 337 490	-	-	-	-	-	-	-	-	-	-	-	5 337 490
Stormwater	28 912	-	-	-	-	-	-	-	-	-	-	-	28 912
Stormwater	3 476 236	-	-	-	-	-	-	-	-	-	-	-	3 476 236
Stormwater	8 887 133	-	-	-	-	-	-	-	-	-	-	-	8 887 133
Stormwater	1 974 543	-	-	-	-	-	-	-	-	-	-	-	1 974 543
Stormwater	7 201 430	-	-	-	-	-	-	-	-	-	-	-	7 201 430
Stormwater	-	-	-	-	-	-	-	-	-	-	-	-	-
Stormwater	3 171 963	3 642	-	-	-	-	-	-	-	-	-	-	3 175 605
Stormwater	3 171 611	-	-	-	-	-	-	-	-	-	-	-	3 171 611
Stormwater	3 111 180	-	-	-	-	-	-	-	-	-	-	-	3 111 180
Stormwater	79 462	-	-	-	-	-	-	-	-	-	-	-	79 462
Stormwater	1 309 645	-	-	-	-	-	-	-	-	-	-	-	1 309 645
Stormwater	6 543	3 696	-	-	-	-	-	-	-	-	-	-	10 239
Stormwater	289 275	-	-	-	-	-	-	-	-	-	-	-	289 275
Stormwater	3 292 717	-	-	-	-	-	-	-	-	-	-	-	3 292 717
Stormwater	31 688	-	-	-	-	-	-	-	-	-	-	-	31 688
Stormwater	18 987 628	292 698	1 836 973	-	-	-	-	-	-	-	-	-	20 117 300
Stormwater	11 271 075	-	-	-	-	-	-	-	-	-	-	-	11 271 075
Stormwater	128 886 813	18 989 891	5 058 923	-	-	-	-	-	-	-	-	-	142 935 627



**APPENDIX A**

Description	Class I - Construction				Accumulated Depreciation				Accumulated Depreciation / Impairment				Carrying Amount
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Trucks	3,976,634	-	-	3,976,634	-	387,340	-	387,340	626,313	387,340	-	988,915	1,997,719
	79,668,883	929,775	-	80,598,658	3,669,387	1,192,348	-	4,861,735	3,909,387	1,192,348	-	5,101,735	6,099,135
POUCHING ASSETS Leasing Schemes, Housing Schemes and Housing Schemes Fund	961,169	-	-	961,169	41,715	16,695	-	58,410	6,711	16,695	-	20,406	42,706
	261,169	-	-	261,169	41,715	16,695	-	58,410	41,715	16,695	-	58,406	123,506
	217,244,633	79,628,363	3,616,913	296,489,909	31,721,843	9,748,386	-	41,470,229	31,721,843	9,748,386	-	41,469,229	51,218,513

COUEMANIA LOCAL MILITANCY: ANALYSIS OF INVESTMENT ISSUES AS AT 30 JUNE 2010

KOUZNETS L&A LOCAL INFRASTRUCTURE INVESTMENT ASSETS AS AT 31 JUNE 2018														
Description	Cost / Accumulated			Accumulated Depreciation			Accumulated Impairment			Accumulated Depreciation/ Impairment		Carrying Value		
	Opening Balance	Additions	Under Construction	Opening Balance	Additions	Disposals	Opening Balance	Additions	Disposals	Opening Balance	Disposals			
PROPERTY, PLANT AND EQUIPMENT	270 543	-	-	-	-	-	-	-	-	250 138	-	250 138	29 045	
	270 543	-	-	-	-	-	-	-	-	250 138	-	250 138	29 045	

## KOUKAMIA LOCAL MUNICIPALITY - ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2016

Description	Cash & Receivables				Accumulated Depreciation				Accumulated Depreciation / Impairment				Carrying Value
	Original Balance	Adjusting	Deprecia	Closing Balance	Opening Balance	Addition	Deprecia	Closing Balance	Opening Balance	Addition	Deprecia	Closing Balance	
OFFSHORE ASSETS													
Long-term Investment in Software	83,179	75,168		158,347	334,408	116,204		450,612	314,408	116,204		430,612	377,953
Intangible Assets	850,579	79,158		929,737	314,408	116,204		430,612	314,408	116,204		430,612	823,755
TOTAL INTANGIBLE ASSETS	933,758	154,326		1,088,084	648,816	232,408		881,224	628,816	232,408		861,224	1,199,708

### REGIONAL LOCAL MINERALITY: ANALYSIS OF PRODUCTIVITY, PLANT AND SOIL MINERALITY AS AT 20 JUNE 1979

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**APPENDIX C**  
**KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2011**

Description	Opening Balance		Additions		Cost / Renovation Under Construction		Disposals		Closing Balance		Accumulated Depreciation				Accumulated Impairment				Carrying Value	
	R	R	R	R	R	R	R	R	R	R	Opening Balance	Additions	Disposals	Opening Balance	Opening Balance	Additions	Disposals	Closing Balance	R	R
Executive & Council	18 448 566	-	-	-	-	-	-	-	18 448 566	-	8 753 537	662 284	-	9 415 821	-	-	-	9 415 821	9 445 162	-
Finance & Admin	2 588 722	-	412 417	-	-	-	-	-	3 001 139	-	707 836	213 231	-	921 066	-	-	-	921 066	1 667 656	-
Planning and Development	306 469	-	-	-	-	-	-	-	306 469	-	112 760	10 409	-	123 170	-	-	-	123 170	183 299	-
Health	267 276	-	-	-	-	-	-	-	267 276	-	80 706	37 367	-	118 073	-	-	-	118 073	149 203	-
Community & Social Services	507 569	-	-	-	-	-	-	-	507 569	-	48 115	16 695	-	64 810	-	-	-	64 810	442 760	-
Housing	1 898 041	-	-	-	-	-	-	-	1 898 041	-	823 611	138 426	-	962 037	-	-	-	962 037	948 064	-
Public Safety	591 685	-	12 000	-	-	-	-	-	603 685	-	14 665	5 151	-	19 816	-	-	-	19 816	348 165	-
Sport & Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Environmental Protection	2 430 106	-	-	-	-	-	-	-	2 430 106	-	842 569	36 446	-	878 015	-	-	-	878 015	1 551 091	-
Waste Management	26 949 225	-	-	-	-	-	-	-	26 949 225	-	5 311 818	840 443	-	6 152 261	-	-	-	6 152 261	20 797 964	-
Waste Water Management	113 915 862	-	18 392 553	-	-	-	-	-	132 308 415	-	2 630 672	5 122 516	-	7 753 188	-	-	-	7 753 188	124 555 237	-
Road Transport	37 817 978	-	764 018	-	-	-	-	-	38 581 996	-	10 192 080	1 016 867	-	11 208 947	-	-	-	11 208 947	32 419 973	-
Water	11 642 455	-	219 562	-	5 026 923	-	-	-	17 888 940	-	2 213 994	648 533	-	2 862 527	-	-	-	2 862 527	8 999 490	-
Electricity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	217 364 055	-	19 830 366	-	5 026 923	-	-	-	242 221 344	-	31 732 362	8 748 368	-	40 480 731	-	-	-	40 480 731	201 740 614	-

# APPENDIX C

## KOUKAMMA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2010

Description	Opening Balance			Cost/Revaluation			Accumulated Depreciation / Impairment			Carrying Value
	R			R	Additions	Under Construction	Disposals	Closing Balance	Disposals	Closing Balance
Executive & Council	-	-	-	-	-	-	-	-	-	-
Finance & Admin	18 083 117	365 449	-	-	-	-	-	8 753 537	-	9 695 030
Planning and Development	2 580 509	8 213	-	-	-	-	-	707 836	-	1 880 886
Health	306 469	-	-	-	-	-	-	112 760	-	193 708
Community & Social Services	172 669	94 607	-	-	-	-	-	80 706	-	186 570
Housing	507 569	-	-	-	-	-	-	48 115	-	459 455
Public Safety	1 858 828	39 213	-	-	-	-	-	823 611	-	1 074 430
Sport & Recreation	591 685	-	-	-	-	-	-	14 665	-	577 020
Environmental Protection	-	-	-	-	-	-	-	-	-	-
Waste Management	2 430 106	-	-	-	-	-	-	842 569	-	1 587 537
Waste Water Management	26 948 429	896	-	-	-	-	-	5 311 818	-	21 637 507
Road Transport	19 100 697	-	-	94 815 165	-	-	-	2 630 672	-	111 285 190
Water	22 880 946	480 070	-	14 456 962	-	-	-	10 192 080	-	27 625 899
Electricity	7 811 802	-	-	3 830 653	-	-	-	2 213 994	-	9 428 461
	103 272 827	988 448	-	113 102 780	-	-	0	31 732 362	0	185 631 693



**APPENDIX D**  
**KOU-KAMMA MUNICIPALITY**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

2010 Actual Income	2010 Actual Expenditure	2010 Surplus/ (Deficit)	Description	Vote Number	2011 Actual Income	2011 Actual Expenditure	2011 Surplus/ (Deficit)
R	R	R			R	R	R
2 085 625	8 852 640	(6 767 015)	Executive and Council		2 901 174	6 799 960	(3 898 786)
142 052 031	40 109 682	101 942 349	Finance and Administration		23 054 175	21 234 466	1 819 709
1 630 805	863 183	767 622	Planning and Development		1 681 588	1 115 990	565 598
-	521	(521)	Health		-	4 291	(4 291)
1 136 113	1 599 164	(463 051)	Community and Social Services		2 078 205	2 743 514	(665 309)
121 442	233 274	(111 832)	Housing		9 455 641	10 263 595	(807 954)
2 319 681	3 013 091	(693 410)	Public Safety		1 687 324	2 745 246	(1 057 922)
6 421	22 814	(16 393)	Sport and Recreation		1 501 886	301 166	1 200 720
-	-	-	Environmental Protection		-	-	-
11 454 135	5 384 785	6 069 350	Waste Management		12 137 741	9 824 646	2 313 095
11 276 088	3 962 058	7 314 030	Roads and Transport		30 641 741	13 358 243	17 283 498
13 678 010	8 662 230	5 015 780	Water		9 395 155	14 157 465	(4 762 310)
2 560 627	3 446 592	(885 965)	Electricity		1 956 523	2 991 115	(1 034 592)
-	-	-	Other		-	-	-
<b>188 320 978</b>	<b>76 150 033</b>	<b>112 170 945</b>	<b>Sub-Total</b>		<b>96 491 153</b>	<b>85 539 697</b>	<b>10 951 456</b>
-	-	-	<b>Less: Inter-departmental Charges</b>		-	-	-
<b>188 320 978</b>	<b>76 150 033</b>	<b>112 170 945</b>	<b>Total</b>		<b>96 491 153</b>	<b>85 539 697</b>	<b>10 951 456</b>

# APPENDIX E(1)

## KOU-KAMMA MUNICIPALITY

### "SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

Details	Original Loan Amount	Interest Rate	Loan Number	Redeemable	Balance at 30 June 2010	Received during the Period	Redeemed/ Written Off during Period	Balance at 30 June 2011
SHORT-TERM LOANS	R				R	R	R	R
Total Capital Lease Liabilities	-				-	-	-	-
TOTAL EXTERNAL LOANS	-				-	-	-	-

No further amounts were advanced for unstructured and unsecured loan for bridging finance. Original loan capital of R2 000 000 was repaid during the year ended 30 June 2010.

**APPENDIX F**  
**KOU-KAMMA MUNICIPALITY**  
**DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**  
**Grants and Subsidies Received**

Name of Grant	Name of Organ of State or Municipal Entity	Annual Receipts	Annual Expenditure	Grants and Subsidies Delayed / Withheld	Reason for Delay / Withholding of Funds	Compliance to Revenue Act (*) See below	Reason for Non- compliance
		2010/2011	2010/2011	2010/2011		Year / No.	
FMG	Nat Treasury	3 000 000	2 542 452	N/A	N/A		N/A
MSIG	Nat Treasury	750 000	312 808	N/A	N/A		N/A
Equitable Share	Nat Treasury	22 754 154	22 754 154	N/A	N/A		N/A
MIG Projects	Nat Treasury	48 491 863	33 040 858	N/A	N/A		N/A
Performance Management System	LDN	338 435	240 200	N/A	N/A		N/A
Local Economic Development	DPLG	848 428	707 858	N/A	N/A		N/A
Housing Project (Total rectification)	Other Gov	9 133 586	9 155 638	N/A	N/A		N/A
<b>Total Grants and Subsidies Received</b>		<b>88 117 466</b>	<b>68 754 069</b>				

## 4.2 Budget to actual comparison

Refer to Annexure A of the audited 2010/11 annual financial statements.

## 4.3 Grants and transfers' spending

Grant details			01/07 to 30/09		01/10 to 30/12		01/01 to 30/03		01/04 to 30/06		Total	
Project name	Donor name	BF	Rec	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent	Rec.	Spent
MIG	NT	14,350	2000	842	5752	796	3000	1150	0	2,483	10,752	5,272
MIG - FLOOD RELIEF	Cacadu	0	22,704	22,704	10,105	10,105	4,611	4,611	1,320	1,320	38,740	38,740
FMG	NT	1,341	3000	1,513	0	293	0	164	0	571	3000	2,542
HOUSING RECTIFICATION	Dept Housing	0	132	131	1,963	1,963	4,050	4,050	2,989	3,011	9,134	9,134
MSIG	NT	369	750		0	2	0	0	0	311	750	313
LED	DPLG	0	0	0	0	0	53	0	0	0	53	0
IDP	DPLG	0	0	0	445	71	0	81	0	68	445	220

## 4.4 Meeting of Donors' requirements in respect of conditional grants

MIG: Requirements were met. 100% expenditure of MIG allocation for financial year.

MIG Flood Relief: Requirements were met. 100% expenditure of allocation.

FMG: Business plan implemented. Grant funding spend in accordance with plan.

Housing Ratification: Requirements were met. 100% expenditure of allocation.

MSIG: Business plan implemented. Grant funding spend accordingly.

LED: Funding received with regards to the salary of the LED official: Mr Noma.

IDP: Donor requirements met.

## 4.5 Long term contracts entered into by the municipality

Konica : Photocopiers

Mandithando Security

Telkom: connectivity

#### 4.6 Annual performance as per key performance indicators in financial viability

	Indicator name	Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
1	Percentage expenditure of capital budget	25,754	19,830	77%
		Target set for the year (35%) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the operational budget
2	Salary budget as a percentage of the total operational budget	35,466 (Budget) 24.9%	22,930	23.8%
		Target set for the year (20% or less) R(000)	Achievement level during the year R(000)	Achievement percentage during the year vs the actual revenue
3	Total actual trade creditors as a percentage of total actual revenue	80% 77,193	6,641	6.9%
		Target set for the year (80% and more) R(000)	Achievement level during the year R(000)	Achievement percentage during the year
4	Total municipal own revenue as a percentage of the total actual budget	38,030 (Budget)	27,737	72.9%
		Target set for the year R(000)	Achievement level during the year R(000)	Achievement percentage during the year
5	Rate of municipal consumer debt reduction	No target set Actual 2009/10 R51,418	-8,658 Actual 2010/11 R60,076	-0.17%
6	Percentage of MIG budget appropriately spent	54,564 (Budget)	33,041	60.6%
7	Percentage of MSIG budget appropriately spent	1,119 (Budget)	312	27.9%

#### **4.7 The Audit committee functionality**

Audit committee was not functional during the 2010/11 financial year since it was only appointed in May 2011.

#### **4.8 Arrears in property rates and service charges**

Refer to note 3 in the audited 2010/11 annual financial statements.

#### **4.9 Anti-corruption strategy**

No fraud prevention policy has been developed by council.

## **Chapter 5: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)**

### **5.1 OVERVIEW OF THE EXECUTIVE AND COUNCIL FUNCTIONS AND ACHIEVEMENTS**

**Koukamma Municipal Council has the power to:**

- Pass by-laws – local laws and regulations about any of the functions responsible for. By-laws may not contradict or over-rule any national laws
- Approve budgets and development plans – every year a municipal budget must be passed that sets down how money will be raised and spent. The council should approve an overall plan for how development should take place in the area. This is called an integrated development plan [IDP] and all projects and planning should happen within the framework of the IDP.
- Impose rates and other taxes – property rates are a form of tax that municipalities can place on the value of properties. It is an important source of income.
- Charge service fees – for use of municipal services like water, electricity, libraries, etc.
- Impose fines – for anyone who breaks municipal by laws or regulations, for example traffic fines, littering or library fines.
- Borrow money – the council may agree to take a loan for a development or other project and to use the municipal assets as surety.

Decisions about most of the above must be made in full council meetings.

#### **Plenary executive nature of Koukamma Municipality**

The municipal council of Koukamma has elected a mayor but there is no executive or speaker. The mayor chairs the council meetings and the council as a whole makes the decisions and plans. So the plenary of the council acts as the executive.

Much of the preparation work on policies and programmes happen in the council committees and recommendations then go to the exco. A committee may have looked at issues in isolation – for example looking at building a clinic without taking into account the provision of water and electricity to that clinic. At exco the chairs of different committees can look at proposals together to make sure that they are implementable. The exco is an important place where politicians can try to resolve issues or make compromises in private rather than having big fights in full public view.

Most council decisions are made on the basis of exco recommendations. The exco can sometimes make final decisions independently of the full council but these are usually only on routine uncontroversial issues. Where the exco may make decisions on its own these decisions still have to be reported to the full council meeting.

Exco may not make final decisions on important things like finance or policy. In most cases exco debates an issue and then makes a recommendation to council. Sometimes exco's recommendation will support the recommendations received from a committee and at other times it may oppose a committee recommendation. If Exco is not allowed to make decisions their recommendations must be debated by council where the final decision will be taken.

When an issue is debated in an exco meeting the exco may call for further explanations from people who can add to the debate. The exco meeting will usually include the committee chair, who should be an exco member, and senior officials in the department involved. Any other committee members may be requested to attend the exco meeting to motivate a proposal.

### **Composition of Koukamma Council**

The Municipal Council of Koukamma Municipality is comprised of eleven (11) Councillors which is constituted and represented as follows:

<b>Name of Councillor</b>	<b>PR or Ward Councillors</b>
1. Vuso Mpumelelo Samuel – Speaker / Mayor	Ward Councillor
2. Francois Strydom	PR Councillor
3. Goni Nompumelelo Pamela	Ward Councillor
4. Hekke (Jacobs) Suzie – Chief Whip	PR Councillor
5. Jantjies Brendon Tirone	Ward Councillor
6. Krige James Richard	PR Councillor
7. Mntambo Nomawabo Edna	Ward Councillor
8. Nelson Lawrence Edward	PR Councillor
9. Pottie Niqualanus Maurgan	Ward Councillor
10. Reeders Cecilia	Ward Councillor
11. Tertuis Möhr	PR Councillor

In addition, the Council had four (4) sections 79 Standing Committees and are represented as follows:

- **Local Economic Development and Special Programmes(LED)**

1. Cllr. P. N. Goni - Chairperson
2. Cllr. S. Hekke (Jacobs)
3. Cllr. N. E. Mntambo
4. Cllr. C. Reeders
5. Cllr F. Strydom

- **Finance Services**

1. Cllr. B. T. Jantjies – Chairperson
2. Cllr. S. Hekke( Jacobs)
3. Cllr. P. N. Goni
4. Cllr. F. Strydom
5. Cllr .L. E. Nelson

- **Social and Community Services**

1. Cllr. N. E Mntambo – Chairperson
2. Cllr. N. M. Pottie
3. Cllr. P. N. Goni
4. Cllr. T. Möhr
5. Cllr. C. Reeders



- **Technical and Infrastructure Services**

1. Cllr. N. M. Pottie – Chairperson
2. Cllr. B. T. Jantjies
3. Cllr. S. Hekke (Jacobs)
4. Cllr. T. Möhr
5. Cllr. J. R. Krige

## **5.2 Public Participation and Consultation;**

In 2010/2011 Financial Year, Koukamma Municipality was for seven months under intervention in terms of Section 139(1) (b) of the Constitution of the Republic of South Africa.

At the heart of that intervention was the attempt to enhance Public Participation between Koukamma Municipality and the Local Stakeholders amongst other factors or reasons.

This move was triggered by the hostile and unhealthy relations between Koukamma Municipality and Some key Local Stakeholders within its area of jurisdiction.

As a result, an Advisory Stakeholder Forum which was representatives of the Local Stakeholders and Koukamma Municipality was established as a means to address the impasse, and both the National and Provincial Government Participated as Facilitators of the initiative in order to obtain impressive outcomes.

The road travelled by the by the Advisory Stakeholder Forum did pave the way for sound, healthy and sustainable relations through meaningful and constructive engagement between the role players.

This is evident, when one looks at the frequency and quality of engagements including the mutual respect enjoyed by all Role Players as well as the Level of Cooperation and Collaboration.

However, this should not be misconstrued to imply that there were no sharp disagreements but the manner in which they were managed illustrated a healthy state and further gave hope for improvement to the benefit of all.

As response, the Council under the guidance and leadership of the Mayor undertook Mayoral Imbizo's whose focus was to engage the public on the best Service Delivery methods and in the affairs of the Municipality. A series of these sessions did change the situation to a greater extent, however room improvement exist.

In terms of Customer Satisfaction Surveys, the institution did not undertake them and this is one of the major glaring limitations in moving forward.

The centrality and the importance of this work cannot be overemphasised as it allows public to advise the Municipality on the performance of its mandate including areas requiring improvement.

### **5.3 Ward committees' establishment and functionality**

Another important leg of the Public Participation was the establishment of Ward Committees and the quality of their functioning. In the Financial Year under Review, all Ward Committees were established however their functioning was not up to scratch.

This state of affairs contributed to the unfortunate and unhealthy relations due to the failure to coordinate the work in an appropriate manner and also involving the Ward Committees in the affairs of the Municipality.

In spite of the situation a number of training programmes were undertaken to empower the Ward Committees such as Ward – Based Planning.

This culminated into a development of Ward –Based Committees for the whole of Koukamma Municipality under guidance of AFESIS CORPLAN as a Service Provider and the Funding Support that was obtained from the Department of Local Government and Traditional Affairs.

With respect to the reporting aspects the Ward Committees were not doing that as the state of their function has been highlighted above.

In reality, this negatively placed the reporting channels on the work of the Ward Committees under threat as evident in the fragile and unhealthy relations for a certain period through it later improved for the better.

However, the Ward Committees took active participation in the IDP Planning Process including Budgeting as well as Local Community Consultations Processes.

### **5.4 Community Development workers performance monitoring**

Koukamma Municipality has two (2) Community Development Workers and Located in the Office of the Speaker but placed in terms of operations in the Tsitsikamma and Langkloof Regions.

The CDW's did from time to time provide reports though not on a constant basis which reflects weaknesses on the accountability and monitoring.

Without being specific, a number of cases or incidents that relates to a range of matters like Service Delivery complaints or requests of meetings by certain communities or planned activities by other Government Institutions without the knowledge of the Local Community, were reported though not frequently and in a coordinated fashion.

In relation to the participation of CDW's in the affairs of the Municipality, it is prudent to mention the IDP Sessions, the Ward- Based Planning, Mayoral Imbizo's and other related programmes including attending both Ward Committee and Council meetings.

## 5.5 Communication strategy

Koukamma Municipality does not have a Communication Strategy; however elements of it are in place with the support of the Government Communications and Information Systems (GCIS).

At this stage, the process of Communication Strategy is still received attention in terms of putting a final document for adoption by Council.

Having said that, the Communication resides in the Office of the Mayor and the support systems are provided by the Office of the Municipal Manager together with other Departmental Sections.

In additions, the Municipality intends to appoint the staff within the Office of the Mayor to undertake Communications and Public Participation work with some resources such as Human, Infrastructure and physical to undertake their assignment

## 5.6 Intergovernmental Relations

In terms, of the Intergovernmental Relations Framework in the Financial Year under Review, the Council adopted the Intergovernmental Relations Framework; however the meetings were not successful though arranged. One of the observations is that the Location of our Municipality places us at a disadvantage as we are far from other Government Institutions given the distance.

As a consequence the Municipality attended IGR meetings at Cacadu District Municipality with other Government Departments which tended to deal with matter cutting across though at times with little attention to specific challenges of the Institution.

## 5.7 Legal matters

### 5.7.1 Setting up of Legal Units

Koukamma Municipality does not have a legal unit within the institution. The names of the firms used during the year under review were Chris Baker attorneys as well as Boqwana, Loon and Conellan attorneys.

### 1 Case load management with specific reference to:

#### (a) Favourable Cases

Case Name	Recovery (yes/no)	Reasons for non-recovery
Kees and Koukamma Municipality	yes	Not applicable
Hendriks and Koukamma Municipality	yes	Not applicable
Mntambo and Koukamma Municipality	yes	Not applicable
Bambiso and Koukamma Municipality	yes	Not applicable

**(b) Unfavourable Cases**

Case Name	Compliance with judgment (yes/no)	Reasons for non-compliance with judgment
Gaushe and Koukamma Municipality	yes	Not applicable
L Bebeza&Others v Koukamma Municipality	yes	Not applicable

**2 Case age analysis**

Case Name	nature of case	Date of commencement	cases of 2years or below	cases beyond 2years	reasons for extensive duration
Bebeza and Koukamma Municipality	Gross dishonesty	28/03/2011	yes		
Olivier and Koukamma Municipality	Gross dishonesty	17/03/2011	yes		
Hloyi and Koukamma Municipality	Gross dishonesty	31/05/2010	yes		
Senatle and Koukamma Municipality	Gross dishonesty	17/12/2010	yes		
Gongqongqo and koukamma Municipality	Gross dishonesty & gross insubordination	28/03/2011	yes		
Spellman and Koukamma Municipality	Gross negligence and gross dishonesty	28/01/2011	yes		
Ndokweni and Koukamma Municipality					
Cunningham & others and Koukamma Municipality	Unfair Labour practice – disputing placement process	26/04/2012	yes		

### 3 Default judgments

Case Name	Reasons for default judgment
None	Not applicable

4. The Municipality doesn't have a legal unit hence there is were no steps taken by the legal services to prevent the current litigations but in terms of the Labour litigation the HR Department was quite pro-active in that they developed a plan to prevent labour litigations. The plan is as follows:

1<sup>st</sup> Workshop will be in the first trimester and will focus on what to do and what not to do whilst on duty. It will also focus on what the different consequences are for when one has committed misconduct.

2<sup>nd</sup> Workshop will be in the second trimester and will focus on strikes and picketing as well as what to do and what not to do during strikes and what the possible sanctions are for misconduct during strikes.

3<sup>rd</sup> Workshop will be in the third trimester and will focus on the different types of dismissals ie. Misconduct, operational requirement and the main focus on incapacity.

4<sup>th</sup> Workshop will be in the last trimester and will focus on the festive period and the misconduct cases accompanying this period. Cases like substance abuse and absence without leave and sleeping on duty as well poor water quality (negligence/incapacity).

These workshops will go a long way in minimizing and totally preventing labour litigations.

4. Hloyi vs Koukamma Municipality

5.8.3 Currently there exists no policy that is adopted by council that deals with the management of legal risks. (Strategic input required)

## **PART 3- FUNCTIONAL AREAS REPORTING AND ANNEXURE**

# A: FUNCTIONAL AREA SERVICE DELIVERY REPORTING

## 1. General information (population statistics)

<Insert name of municipality>

### GENERAL INFORMATION

Reporting Level	Detail	Total	
Overview:	Provide a general overview of municipality: this may include a short narrative of issues peculiar to the municipality and issues specific to the financial year being reported		
Information:	<Provide statistical information on (as a minimum):>		
1	Geography: Geographical area in square kilometres Note: Indicate source of information	<total>	
2	Demography: Total population Note: Indicate source of information	<total>	
3	Indigent Population Note: Indicate source of information and define basis of indigent policy including definition of indigent	<total>	
4	Total number of voters	<total>	
5	Aged breakdown: - 65 years and over - between 40 and 64 years - between 15 and 39 years - 14 years and under Note: Indicate source of information	<total> <total> <total> <total>	
6	Household income: - over R3,499 per month - between R2,500 and R3,499 per month - between R1,100 and R2,499 per month - under R1,100 per month Note: Indicate source of information	<total> <total> <total> <total>	



## 2. Finance and Administration function's performance

Function:	Finance and Administration
Sub Function:	Finance

Reporting Level	Detail	Total	
Overview:	Includes all activities relating to the finance function of the municipality. Note: grants information should appear in Chapter 4 on <i>Financial Statements and Related Financial Information</i> .		
Description of the Activity:	<p>The function of finance within the municipality is administered as follows and includes:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/OY are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1	<p>Debtor billings: number and value of monthly billings:</p> <p>Function - &lt;list function here eg: water, electricity etc&gt;</p> <p>- Number and amount billed each month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents</p> <p>Note: create a suitable table to reflect monthly billed and received (against billed) across debtors by function (eg: water, electricity etc) and by category</p>	<p>&lt;total&gt;</p> <p>&lt;number&gt;</p>	<p>R (000s)</p> <p>&lt;total&gt;</p> <p>&lt;value&gt;</p>
2	<p>Debtor collections: value of amount received and interest:</p> <p>Function - &lt;list function here eg: water, electricity etc&gt;</p> <p>- Value received from monthly billings each month and interest from the previous month across debtors by function (eg: water, electricity etc) and by category: Government, Business, Residents and Indigents</p> <p>Note: create a suitable table to reflect amount received from that month's billings plus interest from the previous month across debtors by function and by category</p>	<p>R (000s)</p> <p>&lt;total&gt;</p> <p>&lt;received&gt;</p>	<p>R (000s)</p> <p>&lt;total&gt;</p> <p>&lt;interest&gt;</p>
3	<p>Debtor analysis: amount outstanding over 30, 60, 90 and 120 plus days:</p> <p>Function - &lt;list function here eg: water, electricity etc&gt;</p> <p>- Total debts outstanding over 30, 60, 90 and 120 plus days across debtors by function (eg: water, electricity etc) and category</p> <p>Note: create a suitable table to reflect debts outstanding over 30, 60, 90 and 120 plus days across debtors by function and category</p>	<p>R (000s)</p> <p>&lt;total&gt;</p>	
4	<p>Write off of debts: number and value of debts written off:</p> <p>- Total debts written off each month across debtors by function (eg: water, electricity etc) and category</p>	<p>&lt;number&gt;</p>	<p>R (000s)</p> <p>&lt;value&gt;</p>



	Note: create a suitable table to reflect write offs each month across debtors by function and category		
5	<b>Property rates (Residential):</b> - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	<number> <number> <number>	R (000s) <value> <value> <value> <value>
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
6	<b>Property rates (Commercial):</b> - Number and value of properties rated - Number and value of properties not rated - Number and value of rate exemptions - Rates collectible for the current year	<number> <number> <number>	R (000s) <value> <value> <value> <value>
8	<b>Property valuation:</b> - Year of last valuation - Regularity of valuation	<year> <cycle>	
9	<b>Indigent Policy:</b> - Quantity (number of households affected) - Quantum (total value across municipality)	<total> <value>	
10	<b>Creditor Payments:</b> <List creditors here> Note: create a suitable table to reflect the five largest creditors individually, with the amount outstanding over 30, 60, 90 and 120 plus days	R (000s) <value>	<age>
11	<b>Credit Rating:</b> <List credit rating details here> List here whether your Council has a credit rating, what it is, from whom it was provided and when it was last updated	R (000s) <value>	<date>
12	<b>External Loans:</b> - Total loans received and paid during the year Note: Create a suitable table to reflect the balance of each external loan at the beginning of the year, new loans raised during the year and loans repaid during the year as well as the balance at the end of the year. Interest rates payable on each loan, together with the date of repayment should be also disclosed in the table.	R (000s) <received>	R (000s) <paid>
13	<b>Delayed and Default Payments:</b> <List delayed and default payments here> List here whether Council has delayed payment on any loan, statutory payments or any other default of a material nature  Note: This information need not be reported here if reported as notes to the accounts.	<value>	<date>

### 3. Planning and Development function's performance

Function:	Planning and Development		
Sub Function:	Economic Development		
Reporting Level	Detail	Total	
Overview:	Includes all activities associated with economic development initiatives		
Description of the Activity:	The function of economic planning / development within the municipality is administered as follows and includes:		
	<List administration of each function here: this should detail what is offered, and how it is offered to the community>		
	These services extend to include <function/area>, but do not take account of <function/area> which resides within the jurisdiction of <national/provincial/other private sector> government. The municipality has a mandate to:		
	<List here>		
	The strategic objectives of this function are to:		
	<List here>		
	The key issues for 200X/0Y are:		
	<List here>		
Analysis of the Function:	<Provide statistical information on (as a minimum):>		
1			
	Number and cost to employer of all economic development personnel:		R (000s)
	- Professional (Directors / Managers)	<total>	<cost>
	- Non-professional (Clerical / Administrative)	<total>	<cost>
2	- Temporary	<total>	<cost>
	- Contract	<total>	<cost>
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
3			
	Detail and cost of incentives for business investment:		R (000s)
	<list details>		<cost>
4			
	Note: list incentives by project, with total actual cost to municipality for year		
5			
	Detail and cost of other urban renewal strategies:		R (000s)
	<list details>		<cost>
	Note: list strategies by project, with total actual cost to municipality for year		
6			
	Detail and cost of other rural development strategies:		R (000s)
	<list details>		<cost>
	Note: list strategies by project, with total actual cost to municipality for year		
6			
	Number of people employed through job creation schemes:		
	- Short-term employment	<number>	
	- Long-term employment	<number>	
	Note: total number to be calculated on full-time equivalent (FTE) basis, and should only be based on direct employment as a result of municipal initiatives		

	Number and cost to employer of all Building Inspectors employed:		R (000s)
	- Number of Building Inspectors	<number>	<value>
	- Temporary		
	- Contract		
	Note: total number to be calculated on a full-time equivalent (FTE) basis, total cost to include total salary package		
	Details of building plans:		
	- Number of building plans approved	<number>	
	- Value of building plans approved	<value>	
Reporting Level	Detail	Total	
	Note: Figures should be aggregated over year to include building plan approvals only		
7	Type and number of grants and subsidies received:		R (000s)
	<list each grant or subsidy separately>	<total>	<value>
	Note: total value of specific planning and development grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		

#### 4. Community and social services function's performance

Function: Community and Social Services  
Sub Function: All inclusive

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with the provision of community and social services		
Description of the Activity:	<p>The function of provision of various community and social services within the municipality is administered as follows and includes:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Nature and extent of facilities provided:</p> <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> </ul>	<p>no of facilities:</p> <p>&lt;number&gt;</p> <p>&lt;number&gt;</p> <p>&lt;number&gt;</p>	<p>no of users:</p> <p>&lt;number&gt;</p> <p>&lt;number&gt;</p> <p>&lt;number&gt;</p>

	<ul style="list-style-type: none"> <li>- Cemeteries and crematoriums</li> <li>- Child care (including creches etc)</li> <li>- Aged care (including aged homes, home help)</li> <li>- Schools</li> <li>- Sporting facilities (specify)</li> <li>- Parks</li> </ul>	<number> <number> <number> <number> <number> <sq km>	<number> <number> <number> <number> <number>
	Note: the facilities figure should agree with the assets register		
2	Number and cost to employer of all personnel associated with each community services function: <ul style="list-style-type: none"> <li>- Library services</li> <li>- Museums and art galleries</li> <li>- Other community halls/facilities</li> <li>- Cemeteries and crematoriums</li> <li>- Child care</li> <li>- Aged care</li> <li>- Schools</li> <li>- Sporting facilities</li> <li>- Parks</li> </ul>	<total> <total> <total> <total> <total> <total> <total> <total> <total>	R(000s) <cost> <cost> <cost> <cost> <cost> <cost> <cost> <cost>
	Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
6	Total operating cost of community and social services function		R (000s)

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<ul style="list-style-type: none"> <li>• Approved HIV/AIDS strategy;</li> <li>• Approved Disaster management policy frameworks and plans (Metro and DM)</li> </ul>	<i>&lt; List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.</i>		

## 5. Housing function's performance

**Function:** Housing  
**Sub Function:** N/A

Reporting Level	Detail	Total	
Overview:	Includes all activities associated with provision of housing		
Description of the Activity:	<p>The function of provision of housing within the municipality is administered as follows and includes:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Number and cost of all personnel associated with provision of municipal housing:</p> <ul style="list-style-type: none"> <li>- Professional (Architects/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Professional includes project design, Field includes all tradespersons.</p> <p>2 Number and total value of housing projects planned and current:</p> <ul style="list-style-type: none"> <li>- Current (financial year after year reported on)</li> <li>- Planned (future years)</li> </ul> <p>Note: provide total project and project value as per initial or revised budget</p> <p>3 Total type, number and value of housing provided:</p> <p>&lt;list details by type of dwelling, see below&gt;</p> <p>Note: total number and total value of housing provided during financial year</p> <p>4 Total number and value of rent received from municipal owned rental units</p> <p>&lt;list details, including number of units handed over to residents&gt;</p> <p>5 Estimated backlog in number of (and costs to build) housing:</p> <p>&lt;list details by type of dwelling, see below&gt;</p> <p>Note: total number should appear in IDP, and cost in future budgeted capital housing programmes</p> <p>6 Type of habitat breakdown:</p>	<p>R (000s)</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>&lt;total&gt; &lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;total&gt; &lt;value&gt;</p> <p>&lt;total&gt; &lt;value&gt;</p> <p>R (000s)</p> <p>&lt;total&gt; &lt;value&gt;</p> <p>R (000s)</p> <p>&lt;total&gt; &lt;cost&gt;</p>	



	<ul style="list-style-type: none"> <li>- number of people living in a house or brick structure</li> <li>- number of people living in a traditional dwelling</li> <li>- number of people living in a flat in a block of flats</li> <li>- number of people living in a town/cluster/semi-detached group dwelling</li> <li>- number of people living in an informal dwelling or shack</li> <li>- number of people living in a room/flatlet</li> </ul>	<total> <total> <total> <total> <total> <total>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	
7	Type and number of grants and subsidies received:		R (000s)
	<list each grant or subsidy separately>	<total>	<value>
	Note: total value of specific housing grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
8	Total operating cost of housing function		R (000s)

Key Performance Area	Performance During the Year, Performance Targets Against Actual Achieved and Plans to Improve Performance	Current	Target
<List at least five key performance areas relative to the above function as articulated in the 200X/0Y budget here>	< List here the actual performance achieved over the financial year, and the variance between performance planned and actual performance, providing an explanation of the variance. Also provide details of any improvements planned for next year.		

# 1. Waste management function's performance

**Function:** Waste Management  
**Sub Function:** Solid Waste

Reporting Level	Detail	Total	
Overview:	Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling		
Description of the Activity:	<p>The refuse collection functions of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Number and cost to employer of all personnel associated with refuse removal:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Number of households receiving regular refuse removal services, and frequency and cost of service:</p> <ul style="list-style-type: none"> <li>- Removed by municipality at least once a week</li> <li>- Removed by municipality less often</li> <li>- Communal refuse dump used</li> <li>- Own refuse dump</li> <li>- No rubbish disposal</li> </ul> <p>Note: if other intervals of services are available, please provide details</p> <p>3 Total and projected tonnage of all refuse disposed:</p> <ul style="list-style-type: none"> <li>- Domestic/Commercial</li> <li>- Garden</li> </ul> <p>Note: provide total tonnage for current and future years activity</p> <p>4 Total number, capacity and life expectancy of refuse disposal sites:</p> <ul style="list-style-type: none"> <li>- Domestic/Commercial (number)</li> <li>- Garden (number)</li> </ul>	<p>R (000s)</p> <p>&lt;total&gt; &lt;total&gt; &lt;total&gt; &lt;total&gt; &lt;total&gt; &lt;total&gt;</p> <p>&lt;cost&gt; &lt;cost&gt; &lt;cost&gt; &lt;cost&gt; &lt;cost&gt; &lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;total&gt; &lt;total&gt; &lt;total&gt; &lt;total&gt; &lt;total&gt;</p> <p>&lt;cost&gt; &lt;cost&gt; &lt;cost&gt;</p> <p>&lt;current&gt; &lt;current&gt;</p> <p>&lt;future&gt; &lt;future&gt;</p> <p>&lt;capacity&gt; &lt;capacity&gt;</p> <p>&lt;lifespan&gt; &lt;lifespan&gt;</p>	

	Note: provide the number of tip sites, their total current capacity and the expected lifespan as at end of reporting period		
Reporting Level	Detail	Total	
5	Anticipated expansion of refuse removal service: - Domestic/Commercial - Garden Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total> <total>	R (000s) <cost> <cost>
6	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<total> <value>	
7	Total operating cost of solid waste management function		R (000s)



## 2. Waste water management

Function:	Waste Water Management
Sub Function:	Sewerage etc

[illegible]

	- No toilet provision Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total>	<cost>
4	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household)	<total> <value>	
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
5	Total operating cost of sewerage function		R (000s)

### 3. Road maintenance's function's performance

<b>Function:</b>	<b>Road Transport</b>
<b>Sub Function:</b>	<b>Roads</b>

Reporting Level	Detail	Total	Cost
Overview:	Construction and maintenance of roads within the municipality's jurisdiction		
Description of the Activity:	<p>The road maintenance and construction responsibilities of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>1 Number and cost to employer of all personnel associated with road maintenance and construction:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package</p> <p>2 Total number, kilometres and total value of road projects planned and current:</p> <ul style="list-style-type: none"> <li>- New bitumenised (number)</li> <li>- Existing re-tarred (number)</li> <li>- New gravel (number)</li> <li>- Existing re-sheeted (number)</li> </ul> <p>Note: if other types of road projects, please provide details</p> <p>3 Total kilometres and maintenance cost associated with existing roads provided</p> <ul style="list-style-type: none"> <li>- Tar</li> <li>- Gravel</li> </ul> <p>Note: if other types of road provided, please provide details</p> <p>4 Average frequency and cost of re-tarring, re-sheeting roads</p> <ul style="list-style-type: none"> <li>- Tar</li> <li>- Gravel</li> </ul> <p>Note: based on maintenance records</p>		<p>R (000s)</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;cost&gt;</p> <p>R (000s)</p> <p>&lt;cost&gt;</p>

	5	Estimated backlog in number of roads, showing kilometres and capital cost - Tar - Gravel		R (000s)
			<total>	<cost>
Reporting Level		Detail	Total	Cost
		Note: total number should appear in IDP, and cost in future budgeted road construction programme		
	6	Type and number of grants and subsidies received: <list each grant or subsidy separately>	<total>	R (000s) <value>
		Note: total value of specific road grants actually received during year to be recorded over the five quarters - Apr to Jun this year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.		
	7	Total operating cost of road construction and maintenance function		R (000s)

#### 4. Water distribution function's performance

Function:	Water
Sub Function:	Water Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of water		
Description of the Activity:	<p>The water purchase and distribution functions of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which sits within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/0Y are:</p> <p>&lt;List here&gt;</p>		
1	<p>&lt;Provide statistical information on (as a minimum):&gt;</p> <p>Number and cost to employer of all personnel associated with the water distribution function:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>	<p>&lt;total&gt;</p> <p>&lt;total&gt;</p> <p>&lt;total&gt;</p> <p>&lt;total&gt;</p> <p>&lt;total&gt;</p> <p>&lt;total&gt;</p>	<p>R (000s)</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p>
2	<p>Percentage of total water usage per month</p> <p>&lt;Insert table showing monthly water usage &gt;</p> <p>Note: this will therefore highlight percentage of total water stock used per month</p>	<volume>	<volume>
3	<p>Total volume and cost of bulk water purchases in kilolitres and rand, by category of consumer</p> <ul style="list-style-type: none"> <li>- Category 1 &lt;insert here&gt;</li> <li>- Category 2 &lt;insert here&gt;</li> <li>- Category 3 &lt;insert here&gt;</li> <li>- Category 4 &lt;insert here&gt;</li> </ul>	<p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p>	<p>R (000s)</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p>
4	<p>Total volume and receipts for bulk water sales in kilolitres and rand, by category of consumer:</p> <ul style="list-style-type: none"> <li>- Category 1 &lt;insert here&gt; (total number of households)</li> <li>- Category 2 &lt;insert here&gt; (total number of households)</li> <li>- Category 3 &lt;insert here&gt; (total number of households)</li> <li>- Category 4 &lt;insert here&gt; (total number of households)</li> </ul>	<p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p> <p>&lt;volume&gt;</p>	<p>R (000s)</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p> <p>&lt;cost&gt;</p>
5	Total year-to-date water losses in kilolitres and rand		R (000s)



	<detail total>	<volume>	<cost>
Reporting Level	Detail	Total	Cost
6	Number of households with water service, and type and cost of service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: if other types of services are available, please provide details		R (000s)
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
7	Number and cost of new connections: <detail total>	<number>	R (000s) <cost>
8	Number and cost of disconnections and reconnections: <detail total>	<number>	R (000s) <cost>
9	Number and total value of water projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	<total> <total>	R (000s) <cost>
10	Anticipated expansion of water service: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total> <total> <total> <total> <total> <total> <total>	R (000s) <cost> <cost> <cost> <cost> <cost> <cost>
11	Estimated backlog in number (and cost to provide) water connection: - Piped water inside dwelling - Piped water inside yard - Piped water on community stand: distance < 200m from dwelling - Piped water on community stand: distance > 200m from dwelling - Borehole - Spring - Rain-water tank Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total> <total> <total> <total> <total> <total> <total>	R (000s) <cost> <cost> <cost> <cost> <cost> <cost>
12	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<total> <value>	
13	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific water grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<total>	R (000s) <value>
14	Total operating cost of water distribution function		R (000s)

## 5. Electricity distribution function's performance

<b>Function:</b>	Electricity
<b>Sub Function:</b>	Electricity Distribution

Reporting Level	Detail	Total	Cost
Overview:	Includes the bulk purchase and distribution of electricity		
Description of the Activity:	<p>The electricity purchase and distribution functions of the municipality are administered as follows and include:</p> <p>&lt;List administration of each function here: this should detail what is offered, and how it is offered to the community&gt;</p> <p>These services extend to include &lt;function/area&gt;, but do not take account of &lt;function/area&gt; which resides within the jurisdiction of &lt;national/provincial/other private sector&gt; government. The municipality has a mandate to:</p> <p>&lt;List here&gt;</p> <p>The strategic objectives of this function are to:</p> <p>&lt;List here&gt;</p> <p>The key issues for 200X/OY are:</p> <p>&lt;List here&gt;</p>		
Analysis of the Function:	<p>&lt;Provide statistical information on (as a minimum):&gt;</p>		
1	<p>Number and cost to employer of all personnel associated with the electricity distribution function:</p> <ul style="list-style-type: none"> <li>- Professional (Engineers/Consultants)</li> <li>- Field (Supervisors/Foremen)</li> <li>- Office (Clerical/Administration)</li> <li>- Non-professional (blue collar, outside workforce)</li> <li>- Temporary</li> <li>- Contract</li> </ul> <p>Note: total number to be calculated on full-time equivalent (FTE) basis, total cost to include total salary package.</p>		R (000s)
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
		<total>	<cost>
2	<p>Total quantity and cost of bulk electricity purchases in kilowatt hours and rand, by category of consumer</p> <ul style="list-style-type: none"> <li>- Residential</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Mining</li> <li>- Agriculture</li> <li>- Other</li> </ul>		R (000s)
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
3	<p>Total quantity and receipts for bulk electricity sales in kilowatt hours and rand, by category of consumer:</p> <ul style="list-style-type: none"> <li>- Household</li> <li>- Commercial</li> <li>- Industrial</li> <li>- Mining</li> <li>- Agriculture</li> <li>- Other</li> </ul>		R (000s)
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>
		<volume>	<cost>

4	Total year-to-date electricity losses in kilowatt hours and rand <detail total>	<volume>	R (000s) <cost>
5	Number of households with electricity access, and type and cost of service:		R (000s)
<b>Reporting Level</b>	<b>Detail</b>	<b>Total</b>	<b>Cost</b>
	- Electrified areas		
	- Municipal	<total>	<cost>
	- Eskom	<total>	<cost>
	- Alternate energy source		
	- Gas	<total>	<cost>
	- Paraffin	<total>	<cost>
	- Solar	<total>	<cost>
	- Wood	<total>	<cost>
	- Non electrified	<total>	<cost>
	Note: if other types of services are available, please provide details		
6	Number and cost of new connections: <detail total>	<volume>	R (000s) <cost>
7	Number and cost of disconnections and reconnections <detail total>	<volume>	R (000s) <cost>
8	Number and total value of electrification projects planned and current: - Current (financial year after year reported on) - Planned (future years) Note: provide total project and project value as per initial or revised budget	<total> <total>	R (000s) <cost> <cost>
9	Anticipated expansion of electricity service: <detail total> Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality	<total>	R (000s) <cost>
10	Estimated backlog in number (and cost to provide) water connection: <detail total> Note: total number should appear in IDP, and cost in future budgeted capital housing programmes	<total>	R (000s) <cost>
11	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.	<total> <value>	
12	Type and number of grants and subsidies received: <list each grant or subsidy separately> Note: total value of specific electricity grants actually received during year to be recorded over the five quarters - Apr to Jun last year, Jul to Sep, Oct to Dec, Jan to Mar, Apr to Jun this year.	<total>	R (000s) <value>
13	Total operating cost of electricity distribution function		R (000s)



## **B: ANNEXURE**

The annexure is made up of the following documents arranged in the sequence below:

1. Full AG reports;
2. Plan of action of the municipality to address findings of the AG report;
3. Approved Municipal Structure (Staff establishment);
4. Council resolutions adopting the Annual Report



# **Audit Report**

## **Kou Kamma Municipality**

For the Year ended 30 June 2011

# REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL ON KOU-KAMMA MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I was engaged to audit the accompanying financial statements of the Kou-Kamma Municipality, which comprise the statement of financial position as at 30 June 2011, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ..... to .....

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2010 (Act No. 1 of 2010 as amended) (DORA), as well as for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General notice 1111 of 2010* issued in *Government Gazette 33872 of 15 December 2010*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Basis for disclaimer of opinion

#### Property, plant and equipment

4. Property, plant and equipment (PPE) is disclosed in the statement of financial position and note 8 to the financial statements at R201.7 million (2010: R185.6 million). Included in this amount are infrastructure assets of R183.6 million (2010: R166.6 million.) The municipality did not review the residual values and useful lives of PPE at each reporting date and neither did they unbundle infrastructure assets in accordance with GRAP 17, Property, plant and equipment. The municipality's records did not permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the valuation of PPE and the classification of infrastructure assets as disclosed in note 8 to the financial statements. I was unable to determine the effect on the other account balances or classes of transactions contained in the financial statements.
5. GRAP 17 paragraph 21 and 22 requires that an item of PPE shall be measured at cost and where an asset is acquired at no cost or for a nominal cost, its cost shall be measured at its fair value as at the date of acquisition. The municipality has valued certain of its PPE at nominal values and has not completely identified and reported on property owned by the council. Consequently PPE is understated by R83.2 million. Furthermore the fixed asset register (FAR) of the municipality did not contain adequate information to uniquely identify

the assets with a carrying amount of R10.7 million. The municipality did not have adequate accounting records to permit the application of alternative procedures. Consequently I was unable to satisfy myself as to the valuation and allocation, completeness, rights and existence of PPE.

6. Infrastructure additions are disclosed in note 8 to the financial statements at an amount of R23.9 million. Supporting documentation to the amount of R331 799 could not be provided for inspection by the municipality. Furthermore the opening cost as per note 8 is overstated by R8.7 million compared to the fixed asset register as a result of the 2010 additions being overstated. The municipality did not have adequate accounting records to permit the application of alternative audit procedures. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the existence, valuation and allocation of infrastructure assets. Furthermore, due to the above limitations, I was unable to determine the effect on VAT and the accumulated surplus.

#### **Service charge revenue**

7. Service charge revenue is disclosed in the statement of financial performance at R14.6 million (2010: R14.5 million). The amount is understated by R2.3 million due to incorrect application of billing quantities, tariffs and processing errors. In addition the municipality could not provide sufficient appropriate audit evidence for the amount disclosed as there are no adequate systems to ensure water consumption is measured and to ensure all services provided by the municipality are billed. Water meters have not been installed for all consumers in the municipal boundary. Consequently I was unable to confirm completeness, occurrence, accuracy, cut off and classification of service charge revenue, receivables and the effect on the accumulated surplus.

#### **Inventory**

8. The municipality did not account for or disclose inventory in accordance with its accounting policy and the Standard of Generally Recognised Accounting Practice, GRAP 12, *Inventory*. The municipality does not have adequate controls in place to account for the quantity and valuation of inventory. Because of the nature of the inventory assets, I was unable to confirm or verify by alternative means what the quantity and value of the inventory should be. Consequently, I could not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness and valuation of inventory.

#### **Provisions**

9. A provision has not been made or calculated for the environmental rehabilitation costs of restoring the entity's landfill sites in terms of the accounting policy note on Provisions and Contingencies. The municipality has not estimated the rehabilitation costs required to settle the entity's present obligation to restore the landfill sites. A provision should be made for the entity's present obligation incurred as a consequence of its past use of the landfill sites in accordance with the Standard of Generally Recognised Accounting Practice, GRAP 19, *Provisions, contingent liabilities and contingent assets*. The entity's records did not permit the application of alternative audit procedures regarding the environmental rehabilitation provision account. Consequently, I did not obtain sufficient appropriate audit evidence to satisfy myself as to the completeness of provisions, property, plant and equipment, depreciation and the effect on the accumulated surplus.

### **Value added tax (VAT) payable**

10. The VAT payable account of R2.6 million (2010: R515 879), as reflected in the statement of financial position, does not agree to the balance of R6.7 million payable per the underlying accounting records. The entity could not provide an explanation or supporting documentation for an unreconciled net difference of R3.8 million between the financial statements and the underlying accounting records. Furthermore no records were available for an amount of R384 446. The municipality's records did not permit alternative procedures. There were also VAT differences to the amount of R33 709 between invoices and the accounting records. Consequently, I could not obtain sufficient appropriate evidence relating to the obligations, valuation and allocation of the VAT payable amount. I could therefore also not determine the effect on the other account balances or classes of transactions contained in the financial statements.

### **Unspent conditional grants liability and receipts**

11. Unspent conditional grants liability is disclosed in the statement of financial position at R45.1 million (2010: R26.7 million). Unspent grants are not cash backed to the amount of R37.8 million and no reconciliation could be provided by the municipality for this unreconciled amount. The difference in the movement compared to the prior year has also not been disclosed as unauthorised expenditure in the financial statements. Supporting documentation could also not be provided for amounts of R1.1 million disclosed as "other" in note 20. The municipality did not have adequate accounting records to permit the application of alternative audit procedures. Furthermore the unspent grants liability as per the grants register does not reconcile to the financial statements by R43 314. The Government grants and subsidies received as per the grants register does not reconcile to the financial statements by R157 797. Consequently, I was unable to obtain sufficient appropriate evidence relating to the existence and accuracy of these amounts and the completeness of the disclosure.
12. Grant funding has been used for purposes other than intended as per the conditions of the grants. Consequently the unspent conditional grants liability is understated and the grants revenue is overstated by R69 768.
13. National Treasury has deducted R2 700 000 from the municipality's Equitable Share on the 7 July 2011 as the municipality failed to provide National Treasury with information to verify all unspent conditional grants for the period 2005-2006 to 2008-2009 and the municipality also did not ensure that the unspent conditional grants were fully spent by 30 June 2010.

### **Accumulated surplus**

14. Accumulated surplus is disclosed at R167.1 million (2010: R148 million) in the statement of financial position and statement of changes in net assets. I provided a disclaimer of opinion on the municipality's financial statements for the year ended 30 June 2010, no adjustments as required have been made to the comparative figures. Prior period errors should be corrected in accordance with, GRAP 3, *Accounting policies, changes in accounting estimates and errors* which requires that material prior year errors be corrected retrospectively in the first set of financial statements authorised for issue after their discovery by restating the comparatives for the prior period(s) presented in which the error occurred. The statement of changes in net assets incorrectly includes correction of prior year adjustments to the amount of R8.1 million in the current year. Furthermore no supporting documentation could be provided for an amount of R932 316 included in the prior year adjustment as disclosed in note 49 to the financial statements. The entity's

records did not permit the application of alternative audit procedures regarding the accuracy of this amount. Consequently, the prior period error is reflected in the incorrect year and I am unable to satisfy myself as to the valuation of the accumulated surplus at year end. Furthermore, due to the above limitations, I was unable to determine the effect on other accounts.

15. There were also long outstanding unreconciled items to the amount of R562 571 (2010: R652 452) between cash and cash equivalents stated in the statement of financial position at R16.3 million (2010: R7.7 million) and the cash at bank amount stated on the year-end bank reconciliation at R15.7 million (2010: R6.9 million) which has been carried forward from the prior years. Consequently, the accumulated surplus is not valued correctly and the cash and cash equivalents are overstated.

#### **Trade and other payables**

16. Trade and other payables are reflected in note 10 to the financial statements at R12.4 million (2010: R21 million). Unclaimed deposits to the amount of R1.2 million relating to the current year was incorrectly written off to the prior period error account in the statement of changes in net assets in the current year. Furthermore payments received in advance to the amount of R448 719 carried forward from the prior year, was not reversed in the current year and differences to the amount of R287 707 were found between invoices and statements compared to the accounting records. Consequently payables are not complete and valued correctly, revenue is not complete, expenses are not complete and the accumulated surplus is also not valued correctly.

#### **Trade receivables**

17. Trade receivables are disclosed at R10.1 million (2010: R3.5 million) after impairment in the statement of financial position. Receivables to the amount of R1.4 million have incorrectly been reclassified to payables. Furthermore an additional amount of R446 666 is considered to be doubtful which has not been provided for by management. Supporting documentation such as contracts could also not be provided for an amount of R192 100. Consequently receivables are overstated by R1.9 million, payables are not valued correctly and the impairment expense is not accurate.

#### **Related parties**

18. International Public Sector Accounting Standard, IPSAS 20, Related-party disclosures requires disclosure of amounts owed by key management personnel. Irregular expenditure as a result of excessive salary payments to key management personnel to the amount of R1.3 million was transferred to other receivables but was not included in disclosure note 36 to the financial statements, resulting in the disclosure of amounts receivable from key management personnel in the other receivables amount being incomplete.

#### **Disclosure**

19. The amounts outstanding at year end for audit fees of R847 065, taxes, pension and medical aid of R159 564 have not been disclosed in the financial statements as required by MFMA section 125(1)(c). Furthermore, the pension and medical aid to the amount of R4.3 million as per note 47 do not agree to the amount as per the payroll of R3.9 million and there is therefore an unreconciled difference of R397 936. Consequently disclosure is incomplete and incorrect.

### **Unauthorised, irregular and fruitless and wasteful expenditure**

20. Irregular expenditure to the amount of R7.1 million was incurred during the year as a result of the contravention of SCM legislation and was also not disclosed as irregular expenditure in the notes to the financial statements. Consequently the disclosure of irregular expenditure is incomplete.
21. Sufficient appropriate audit evidence could not be provided for 1 of the 11 selected contracts awarded and that 2 of the 128 selected quotations accepted (hereinafter referred to as "awards") to the value of R647 161 to confirm whether these awards were made in accordance with the requirements of the SCM legislation. No alternative audit procedures could be performed to obtain reasonable assurance that the expenditure incurred on these awards was not irregular.
22. The budgeted figures disclosed in the appendix A did not agree to the adjusted budgeted figures submitted to council by R701 300 for revenue and R140 700 for expenses. Consequently the budget disclosed and used for determining unauthorised expenditure is incorrect.

### **Aggregation of immaterial uncorrected misstatements**

23. The financial statements as a whole are materially misstated due to the cumulative effect of various individually immaterial uncorrected misstatements in the following elements making up the statement of financial performance:
  - Finance cost as disclosed in note 26 to the statement of financial performance at R153 700 is understated by R457 148.
  - Property rates revenue as disclosed in the statement of financial performance at R7.9 million is understated by R247 739.
  - Revenue to the amount of R313 733 has been overstated and interest received to the amount of R313 733 has been understated as disclosed in the statement of financial performance as it has been classified incorrectly.
24. In addition I was unable to obtain sufficient appropriate audit evidence and I was consequently unable to confirm or verify the following elements making up the statement of financial position and the statement of financial performance by alternative means:
  - Intangible assets to the amount of R394 652.
  - Expenditure, including bulk purchases and general expenses to the amount of R368 534 (2010: R3.5 million).
  - Revenue from fines is disclosed in the statement of financial performance at R287 493 (2010: R420 004).

As a result, I was unable to determine whether any further adjustments to these elements were necessary.

### **Disclaimer of opinion paragraph**

25. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



### **Emphasis of matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Significant uncertainties**

26. Enquiries of management and the attorneys revealed that the municipality is a defendant in lawsuits as disclosed in note 44 to the financial statements. The outcome of these lawsuits cannot be determined at present and no provision has been made for any liability that may result.

#### **Restatement of corresponding figures**

27. As disclosed in note 48 to the financial statements, the corresponding figures have been restated as a result of a change in accounting policy. GRAP 16, GRAP 17 and GRAP 102 have been applied retrospectively and the aggregate effect of the implementation relating to the depreciation charge amounted to R3.9 million and R28.4 million for accumulated depreciation in the corresponding figures.

#### **Going concern**

28. While the municipality has prepared financial statements on a going concern, there are a number of indicators that its financial sustainability is under threat which has been disclosed in note 50 to the financial statements.

#### **Material impairments**

29. As disclosed in note 25 to the financial statements, material losses to the amount of R13.9 million were incurred as a result of a write-off and an increase in the provision for doubtful debts relating to irrecoverable trade debtors.

#### **Additional matters**

I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Unaudited supplementary schedules**

30. The supplementary appendices, C to F, set out on pages 67 to 71 do not form part of the financial statements and are presented as additional information. We have not audited these schedules and accordingly we do not express an opinion thereon.

### **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

31. In accordance with the PAA and in terms of *General notice 1111 of 2010*, issued in *Government Gazette 33872 of 15 December 2010*, I include below my findings on material non-compliance with laws and regulations applicable to the municipality.

#### **Predetermined objectives**

32. We could not conduct the audit of performance against predetermined objectives as the municipality did not submit the annual performance report as required by part C of *General notice 1111 of 2010*, issued in *Government Gazette No. 33872 of 15 December 2010*.

### **Strategic planning and performance management**

33. The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(ii) of the MFMA.
34. The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury, and the provincial treasury as required by section 72(1)(b) of the MFMA.

### **Budgets**

35. The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.
36. The mayor did not submit all quarterly reports to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(d) of the MFMA.
37. The accounting officer did not always submit the monthly budget statements to the mayor and the relevant provincial treasury, as required by section 71(1) of the MFMA.

### **Annual financial statements, performance and annual report**

38. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements identified by the auditors were not adequately corrected, which resulted in the financial statements receiving a disclaimer audit opinion.
39. The accounting officer did not make the 2009-2010 annual report public immediately after the annual report was tabled in the council as required by section 127(5) of the MFMA.
40. The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-2010 annual report was tabled in the council as required by section 129(1) of the MFMA.
41. The accounting officer did not make public the council's oversight report on the 2009-2010 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.
42. The performance report for the financial year under review was not prepared as required by section 46 of the Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.

### **Audit committees**

43. An effective audit committee was not in place for the full year as required by section 166(1) of the MFMA as the audit committee was only appointed in May 2011 and has therefore not fulfilled their responsibilities in terms of the Act.

44. The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee as required by Municipal Planning and Performance Management Regulation 14.

#### **Internal audit**

45. The municipality did not have an internal audit unit in place for the full year as required by section 165(1) of the MFMA.
46. The internal audit unit did not function as required by section 165(2) of the MFMA, as the internal auditor was only appointed in February 2011.

#### **Procurement and contract management**

47. Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of between R10 000 and R200 000 were procured by means of obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).
48. Quotations were accepted from prospective providers who are not on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).
49. Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1).
50. Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services as per the requirements of SCM regulation 27(2)(a).
51. Awards were made to providers based on criteria that were not stipulated in the original bid documents as per the requirements of SCM regulation 21(b) and 28(1).
52. Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) and 22(2).
53. Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).
54. Bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and or at least one SCM practitioner of the municipality as per the requirements of SCM regulation 28(2).
55. Final awards and recommendation of awards to the accounting officer were not always made by an adjudication committee which was constituted of a SCM practitioner who is an official of the municipality as part of the bid adjudication committee as per the requirements SCM regulation 29(2).

56. Sufficient appropriate audit evidence could not be obtained that awards were made to providers whose tax matters have been declared by the South African Revenue Services to be in order as required by SCM regulation 43.
57. Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).
58. The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).
59. Awards were made to suppliers based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.
60. Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers that scored the highest points in the evaluation process as per the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act.
61. The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.
62. Awards were made to providers who are persons in service of other state institutions in contravention of the requirements of SCM regulations 44. Furthermore the provider failed to declare that he is in the service of the state as required by SCM regulation 13(c).
63. Contracts were extended or modified to the extent that competitive bidding processes were being circumvented contrary to the requirement of a fair supply chain management system in sec 112 of the MFMA.
64. Contracts were extended and modified without tabling the reasons for the proposed amendment in the council of the municipality as required by section 116(3) of the MFMA.

#### **Expenditure management**

65. Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.
66. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.
67. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred, accounted for creditors of the municipality and accounted for payments made by the municipality, as required by section 65(2)(b) of the MFMA.

68. The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.
69. The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.

#### **Conditional grants**

70. The municipality did not submit quarterly reports to the transferring national officer on non-financial performance in respect of the allocations received as required by section 11(2)(c) of the Division of Revenue Act. 2009 (Act No 12 of 2009) (DORA).
71. The accounting officer did not evaluate the performance of the municipality in respect of programmes funded or partially funded by a schedule 4 allocation within two months after the end of the financial year as required by section 11(6) of the DORA.

#### **Revenue management**

72. Interest was not charged on all arrears accounts as required by section 64(2)(g) of the MFMA.
73. Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.
74. A credit control and debt collection policy was not maintained and implemented as required by section 96(b) of the MSA
75. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised revenue when it is earned and accounted for debtors as required by section 64(2)(e) of the MFMA.

#### **Asset management**

76. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.
77. The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for assets (including an asset register) as required by section 63(2)(c) of the MFMA.

#### **INTERNAL CONTROL**

78. In accordance with the PAA and in terms of General notice 1111 of 2010, issued in *Government Gazette 33872 of 15 December 2010*, I considered internal control relevant to my audit, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

79. The municipality did not have adequate controls and processes in place to ensure compliance with applicable legislation. Management did not exercise their oversight responsibilities over reporting, compliance with laws and regulations and internal control. Furthermore the accounting officer does not evaluate whether management has implemented effective policies, procedures and internal controls. The municipality did not have staff with adequate skills and experience in its finance department during the financial year as a chief financial officer was only appointed in September 2011.

## **Financial and performance management**

80. The financial statements and other information to be included in the annual report are not adequately reviewed for completeness and accuracy prior to submission for audit and pertinent information is not identified in a form and time frame to support financial and performance reporting. This is clearly evident as the financial statements submitted for audit contained material errors and were subject to numerous amendments.

## **Governance**

81. The internal audit unit was not in operation for the full year and has not produced any audit programs and reports for the year under review. Cognisance is taken of the fact that the internal auditor was only appointed in February 2011 and was thus not able to effectively fulfill her responsibilities. It was also established that there was no audit committee in place during the year under review. An ad hoc committee was instituted but did not play an effective oversight role. Due to these limitations and other factors the municipality was not guided regarding internal controls, financial and risk management. No risk assessment had taken place during the year and there was thus also insufficient oversight over the effective operation of internal controls. This contributed to the above findings mentioned in the preceding paragraphs.

## **OTHER REPORTS**

### **Investigations**

82. An investigation was conducted in September/October 2011 by the Department of Local Government and Traditional Affairs on request from the community. The investigation was initiated based on the allegation of possible irregularities at the municipality regarding the mayor, councillors, managers and appointment of unregistered contractors. The investigation was not finalised at the date of issuing this report.

*Auditor General*

East London

30 November 2011



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



STATUS OF AUDIT FINDINGS

	Number	%
Findings Completed	2	3
Findings: In progress	16	24
Findings: NA	8	12
Findings: Not yet started	42	61
TOTAL FINDINGS	68	100

LEGEND

Status Completed	
Status: In progress	
Status: NA	
Status: Finding not yet addressed	



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING			PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status	
1	Property, plant and equipment	The municipality did not review the residual values and useful lives of PPE	4	The remaining useful life of PPE will be reviewed in preparation of the 2011/12 AFS	S. Hulana	In accordance with the 2011/12 AFS compilation plan	NA	NA	
2		The municipality did not unbundle infrastructure assets	4	The unbundling of the infrastructure assets need to be undertaken by external service provider. Funding is being sourced from Provincial Government to fund project through a business plan	N Venter	29 February 2012			
3		There were 1182 properties to the amount of R54.3 million listed on the rates valuation roll as being owned by the municipality which are not listed on the fixed asset register (FAR). There were 216 properties identified on the FAR to the amount of R11 million which were also listed on the rates valuation roll to the amount of R40 million however these properties did not have any initial or subsequent cost included on the FAR and were only reflected at a nominal value which therefore results in a difference of R28.9 million	5	Update the FAR with regards to the valuation of council's assets as per the valuation roll ensuring the correct accounting practice is applied	S Hulana	31 March 2012			
4		There were 25 properties on the FAR to the carrying value of R7 823 of which ownership by the municipality could not be determined.	5	Verify ownership of all the properties recorded in council's FAR	S Hulana	31 May 2012			

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
5		There were 103 properties on the FAR to the amount of R10.7 million that did not contain sufficient information to enable audit to uniquely identify them.	5	Identify all the properties and ensure correct disclosure in council's FAR.	S Hulana	31 May 2012		
6		Supporting documentation to the amount of R331 799 re Infrastructure additions could not be provided.	6	Improved filing and maintenance system. Monthly review of all payments made. Preparation of an audit file, to ensure compliance with legislation (Circular 50)	M Michaels	Monthly- within 7 working days after month end.		
7		The opening cost as per note B is overstated by R8.7 million compared to the fixed asset register as a result of the 2010 additions being overstated.	6	Differences will be investigated and corrected in the appropriate records.	S Hulana	30 April 2012		
8	Revenue	Council approved tariffs as per the budget for water were not correctly applied to consumer accounts. Numerous discrepancies were found between water readings taken and what was recorded on the system due to manual input and system errors. Corrections to the service charges accounts relating to prior year errors were also made in the incorrect year. Customers were not charged for water usage, refuse and sewerage every month during the year.	7	A service provider to be appointed on risk basis to follow up and collect long outstanding debt, ensure that council bill for services rendered on a monthly basis, and ensure that the accounts issued are correct.	B Bavu	Appointment: 29 Feb 2012		
9		A large number of properties within the municipal boundary either do not have water meters installed or they are not operational and readings were not taken every month during the year.	7	Funding has been sourced to fund a project to install new and replace faulty meters.	D Dluwayo	Appointment: 29 February 2012		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
10	Inventory	The municipality did not account for or disclose water inventory as a year end.	8	The value of water inventory will be determined in preparation of the 2011/12 AFS	C Jonker	In accordance with the 2011/12 AFS compilation plan		
11	Provisions	The municipality has not estimated the rehabilitation costs required to settle the entity's present obligation to restore the landfill sites.	9	A provision should be made for the entity's present obligation incurred as a consequence of its past use of the landfill sites. This will be done in preparation of the 2011/12 AFS.	S Hulana	In accordance with the 2011/12 AFS compilation plan		
12	Value added tax (VAT) payable	The VAT payable account of R2.6 million as reflected in the statement of financial position, does not agree to the balance of R6.7 million payable per the underlying accounting records. The entity could not provide an explanation or supporting documentation for an unreconciled net difference of R3.8 million between the financial statements and the underlying accounting records.	10	Review all the transactions recorded in council's records. Identify VAT transactions not previously claimed back from SARS, and correct. Reconciliation of all the VAT votes. Identify balances to be written off by council (unknown amounts/balances older than 3 years)	M Michaelis	30 April 2012		
13	Unspent conditional grants liability and receipts	Unspent grants are not cash backed to the amount of R37.8 million and no reconciliation could be provided by the municipality for this unreconciled amount. Supporting documentation could not be provided for amounts of R1.1 million disclosed as "other" in note 20. Furthermore the unspent grants liability as per the grants register does not reconcile to the financial statements by R43 314. The Government grants and subsidies received as per the grants register does not reconcile to the financial statements by R157 797	11	Reconciliations of grant funding received, expenditure on these funds, VAT claimed will be verified for a period dating back 3 financial years. Incorrect expenditure and VAT allocations will be rectified, with a grant register that reconciles to the General ledger and investments as a final outcome	M Michaelis	30 April 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
14		Grant funding has been used for purposes other than intended as per the conditions of the grants. Consequently the unspent conditional grants liability is understated and the grants revenue is overstated by R99 768	12	This will be corrected via a journal entry.	M Michaels	31 January 2012		
15		National Treasury has deducted R2 700 000 from the municipality's Equitable Share on the 7 July 2011 as the municipality failed to provide National Treasury with information to verify all unspent conditional grants for the period 2005-2006 to 2008-2009	13	Expenditure on grant funding to be monitored on a monthly basis and reported to the applicable committee.	N Venter	Monthly		
16	Accumulated surplus	The statement of changes in net assets incorrectly includes correction of prior year adjustments to the amount of R8.1 million in the current year. Furthermore no supporting documentation could be provided for an amount of R932 316 included in the prior year adjustment as disclosed in note 49 to the financial statements	14	The amount of R932 316 will be investigated, and council's records adjusted should it be required.	N. Venter	31 March 2012		
17		There was an also long outstanding unrecorded item to the amount of R462 571 between cash and cash equivalents, which has been carried forward from the prior years.	15	This long outstanding balance will be investigated and resolved.	M Michaels	31 January 2012		
18	Trade and other payables	Unclaimed deposits to the amount of R1.2 million relating to the current year was incorrectly written off to the prior period error. Furthermore payments received in advance to the amount of R448 719 carried forward from the prior year, was not reversed in the current year and differences to the amount of R287 707 were found between invoices and	16	The reported transactions will be investigated and corrections made should it be required  Monthly reconciliations of all credit balances, verified by the CFO	M Michaels  M Michaels	31 March 2012  Monthly- within 7 working days after month end.		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
		statements compared to the accounting records.						
19	Trade receivables	Receivables to the amount of R1.4 million have incorrectly been reclassified to payables. Furthermore an additional amount of R440 000 is considered to be doubtful which has not been provided for by management.	17	Differences will be investigated and corrected in the appropriate records.	B Barvu	30 April 2012		
20	Related parties	Irregular expenditure as a result of excessive salary payments to key management personnel to the amount of R1.3 million was transferred to other receivables but was not included in disclosure note 36 to the financial statements, resulting in the disclosure of amounts receivable from key management personnel in the other receivables amount being incomplete.	18	Expenditure will be correctly disclosed in the 2011/12 AFS. The irregular expenditure will be reported to council for ratification.	N Venter	31 March 2012		
21	Disclosure	The amounts outstanding at year end for audit fees of R847 065, taxes, pension and medical aid of R159 564 have not been disclosed in the financial statements as required by MFMA section 125(1)(c). Furthermore, the pension and medical aid to the amount of R4.3 million as per note 47 do not agree to the amount as per the payroll of R3.9 million and there is therefore an unreconciled difference of R397 936.	19	Expenditure will be correctly disclosed in the 2011/12 AFS	N Venter	NA	NA	NA
22	Unauthorised, irregular and fruitless and wasteful expenditure	Irregular expenditure to the amount of R7.1 million was incurred during the year as a result of the contravention of SCM legislation and was also not disclosed as	20	Expenditure will be correctly disclosed in the 2011/12 AFS. The irregular expenditure will	N Venter	31 March 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
		irregular expenditure in the notes to the financial statements.		be reported to council for ratification.				
23		Sufficient appropriate audit evidence could not be provided for 1 of the 11 selected contracts awarded and that 2 of the 128 selected quotations accepted (hereinafter referred to as "awards") to the value of R647 161, to confirm whether those awards were made in accordance with the requirements of the SCM legislation	21	A register of all awarded contracts will be introduced, ensuring that all contracts awarded are accounted for. Expiry dates of contracts will be monitored and service provider advised of termination of contract.	S. Hlulana	29 February 2012		
24		The budgeted figures disclosed in the appendix A did not agree to the adjusted budgeted figures submitted to council by R701 300 for revenue and R140 700 for expenses.	22	In preparation of the 2011/12 AFS the disclosure of the correctly adjusted budget figures will be disclosed.	N Venter	NA	NA	NA
25	Aggregation of immaterial uncorrected misstatements	Finance cost as disclosed in note 26 to the statement of financial performance at R153 700 is understated by R457 148.	23	This matter will be addressed in the preparation of the 2011/12 AFS .	N Venter	NA	NA	NA
26		Properly rates revenue as disclosed in the Statement of financial performance at R7.9million is understated by R247 739	23	The interim valuation will be implemented with immediate effect. The 2011/12 interim valuation will be commissioned within required timeframes.	B Bavu	31 March 2012		
27		Revenue to the amount of R313 733 has been overstated and interest received of the same amount understated, and has hence been classified incorrectly.	23	Correcting journal entries will be done	B Bavu	29 February 2012		
28		Audit was unable to confirm or verify the following elements making up the statement of financial position and the statement of financial performance by alternative means:  Intangible assets to the amount of R394 652.	24	The required vouchers /	M Michaels	31 March 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING			PROGRESS
					Responsible Person	Due Date/frequency	Report date	
		Expenditure, including bulk purchases and general expenses to the amount of R368 534. Revenue from fines disclosed at R287 493		supporting documentation will be located and submitted for audit purposes.  The accuracy of this amount will be verified, and corrected should it be required.	B Bavu	31 March 2012		
REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS								
29	Predetermined Objectives	Audit could not conduct the audit of performance against predetermined objectives as the municipality did not submit the annual performance report as required by part C of General Notice 1111 of 2010, issued in Government Gazette No 33872 of 15 December 2010.	32	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
30	Strategic planning and performance management	The accounting officer of the municipality did not by 25 January assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan as required by section 72(1)(a)(i) of the MFMA.	33	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
31		The accounting officer of the municipality did not submit the results of the assessment on the performance of the municipality during the first half of the financial year to the mayor of the municipality, the National Treasury, and the provincial treasury as required by section 72(1)(b) of the MFMA.	34	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
32	Budgets	The municipality incurred expenditure that was not budgeted for and incurred expenditure in excess of the limits of the amounts provided for in the votes in the approved budget, in contravention of section 15 of the MFMA.	35	Budget amounts exceeded refer to depreciation (R8.8M) and Impairment (R13.9M). Both amounts relate to non-cash transactions. This will be reported to council for ratification.	N Venter	31 March 2012		
33		The mayor did not submit all quarterly reports to council on the implementation of the budget and the financial state of affairs of the municipality within 30 days after the end of each quarter, as required by section 52(1) of the MFMA.	36	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
34		The accounting officer did not always submit the monthly budget statements to the mayor and the relevant provincial treasury as required by section 71(1) of the MFMA.	37	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
35	Annual financial statements, performance and annual report	The accounting officer did not make the 2009-2010 annual report public immediately after the annual report was tabled in the council as required by section 127(5) of the MFMA.	39	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
36		The municipal council did not adopt an oversight report containing the council's comments on the annual report within two months from the date on which the 2009-2010 annual report was tabled in the council as required by section 129(1) of the MFMA.	40	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
37		The accounting officer did not make public the council's oversight report on the 2009-2010 annual report within seven days of its adoption, as required by section 129(3) of the MFMA.	41	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
38		The performance report for the financial year under review was not prepared as required by section 46 of the Municipal Systems Act, 2000 (Act No 32 of 2000) (MSA) and section 121(3)(c) of the MFMA.	42	2011/12 Compliance with legislation will be enforced via a specific compliance action plan that will be compiled.	N Venter	30 April 2012		
39	Audit committees	An effective audit committee was not in place for the full year as required by section 166(1) of the MFMA as the audit committee was only appointed in May 2011 and has therefore not fulfilled their responsibilities in terms of the Act.	43	An audit committee was appointed and is in place w.e.f. May 2011	M. Mpulwana	NA	NA	NA

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
40		The municipality did not appoint and budget for a performance audit committee, nor was another audit committee utilised as the performance audit committee as required by Municipal Planning and Performance Management Regulation 14	44	A performance audit committee will be established/ appointed	MM	31 January 2012		
41	Internal audit	The municipality did not have an internal audit unit in place for the full year as required by section 165(1) of the MFMA.	45	An internal auditor was appointed	M. Mpulwana	NA	NA	NA
42		The internal audit unit did not function as required by section 165(2) of the MFMA, as the internal auditor was only appointed in February 2011.	46	An internal audit unit will be established by the appointment of a Senior Manager funded by LGTA	M. Mpulwana	NA	NA	NA

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
43	Procurement and contract management	Sufficient appropriate audit evidence could not be obtained that goods and services with a transaction value of between R10 000 and R200 000 were procured by means of obtaining written price quotations from at least three different prospective providers as per the requirements of SCM regulation 17(a) & (c).	47	Processes to be put in place to ensure that a minimum of 3 Quotations are obtained, and if not feasible to request a deviation	N. Venter	30 April 2012 (It is an on-going process)		
44		Quotations were accepted from prospective providers who are not on the list of accredited prospective providers and do not meet the listing requirements prescribed by the SCM policy in contravention of SCM regulation 16(b) and 17(b).	48	A process will be put in place to update the information as set out in SCM regulations 16 (b) & 17 (b)		31 March 2012		
45		Goods and services of a transaction value above R200 000 were procured without inviting competitive bids as per the requirements of SCM regulation 19(a) and 36(1)	49	Processes to be put in place to ensure that the bidding process be implemented for projects > R200 000		31 March 2012		
46		Sufficient appropriate audit evidence could not be obtained that bid specifications for procurement of goods and services through competitive bids were drafted in an unbiased manner that allowed all potential suppliers to offer their goods or services as per the requirements of SCM regulation 27(2)(a).	50	Did documents to be improved to enable the evaluation committee to score using objective measurements.		31 March 2012		
47		Awards were made to providers based on criteria that were not stipulated in the original bid documents as per the requirements of SCM regulation 21(b) and 28(1)	51	Before a bid is awarded a process will be put in place to ensure that SCM regulations 21 (b) and 28 (1) is complied with.		31 March 2012		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
48		Sufficient appropriate audit evidence could not be obtained that invitations for competitive bidding were advertised for a required minimum period of days as per the requirements of SCM regulation 22(1) and 22(2).	52	Record keeping to be improved as to retain evidence that the advertising period has been complied with.		31 March 2012		
49		Sufficient appropriate audit evidence could not be obtained that bid specifications were drafted by bid specification committees which were composed of one or more officials of the municipality as required by SCM regulation 27(3).	53	Processes will be put in place to ensure that an official guides the total SCM process including specification.		31 March 2012		
50		Bids were not always evaluated by bid evaluation committees which were composed of officials from the departments requiring the goods or services and or at least one SCM practitioner of the municipality as per the requirements of SCM regulation 28(2).	54	The evaluation committee will be constituted to ensure that each department is represented.		31 March 2012		
51		Final awards and recommendation of awards to the accounting officer were not always made by an adjudication committee which was constituted of a SCM practitioner who is an official of the municipality as part of the bid adjudication committee as per the requirements SCM regulation 29(2).	55	A process will be put in place to ensure that a SCM practitioner will always be present as part of the BAC.		31 March 2012		
52		Sufficient appropriate audit evidence could not be obtained that awards were made to providers whose tax matters have been declared by the South African Revenue Services to be in order as required by SCM regulation 43.	56	Compliance with SCM regulations will be enforced with regards to tax matters.		31 March 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
53		Awards were made to suppliers who did not submit a declaration on their employment by the state or their relationship to a person employed by the state as per the requirements of Municipal SCM regulation 13(c).	57	The submission of declaration forms to comply with SCM regulation 13(c) will be enforced.		31 March 2012		
54		The preference point system was not applied in all procurement of goods and services above R30 000 as required by section 2(a) of the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a).	58	Steps to be put in place to ensure the Preferential Procurement Policy Framework Act and SCM regulation 28(1)(a) are complied with.		31 March 2012		
55		Awards were made to suppliers based on preference points that were not allocated and/or calculated in accordance with the requirements of the Preferential Procurement Policy Framework Act and its regulations.	59	Due diligence to be ensured that the preference points are duly allocated.		31 March 2012		
56		Sufficient appropriate audit evidence could not be obtained that awards were made to suppliers that scored the highest points in the evaluation process as per the requirements of section 2(1)(f) of Preferential Procurement Policy Framework Act.	60	Evidence of scoring will be maintained.		31 March 2012		
57		The performance of contractors or providers was not monitored on a monthly basis as required by section 116(2)(b) of the MFMA.	61	The relevant steering committee will be appointed.		31 March 2012		
58		Awards were made to providers who are persons in service of other state institutions in contravention of the	62	The submission of declaration forms to comply with SCM regulation 13(c) will be		31 March 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report data	Status
59		requirements of SCM regulations 44. Furthermore the provider failed to declare that he is in the service of the state as required by SCM regulation 13(c).	63	enforced.		31 March 2012		
60		Contracts were extended or modified to the extent that competitive bidding processes were being circumvented contrary to the requirement of a fair supply chain management system in sec 112 of the MFMA.  Contracts were extended and modified without tabling the reasons for the proposed amendment in the council of the municipality as required by section 116(3) of the MFMA.	64	The application of variances and extension of tenders will be subjected to submission to the BAC.  Refer to 63		31 March 2012		



# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
61	Expenditure Management	Money owing by the municipality was not always paid within 30 days of receiving an invoice or statement, as required by section 65(2)(e) of the MFMA.	65	Measures will be implemented to ensure that creditors are paid within legislative timeframes.	M Michaels	29 February 2012		
62		The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds, as required by section 65(2)(a) of the MFMA.	66	Procedures will be implemented to ensure that creditor accounts are reconciled on a monthly basis.	M Michaels	29 February 2012		
63		The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised expenditure when it was incurred, accounted for creditors of the municipality and accounted for payments made by the municipality, as required by section 65(2)(b) of the MFMA.	67	Procedures will be put in place that will enable the identification and reporting of unauthorised, irregular or fruitless and wasteful expenditure to council.	N Venter	31 March 2012		
64		The accounting officer did not take reasonable steps to prevent unauthorised expenditure, irregular expenditure and or fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.	68					
65		The municipality did not recover unauthorised, irregular or fruitless and wasteful expenditure from the liable person, as required by section 32(2) of the MFMA.	69					





# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
67	Revenue management	Interest was not charged on all arrears accounts as required by section 64(2)(g) of the MFMA.  Revenue received by the municipality was not always reconciled at least on a weekly basis, as required by section 64(2)(h) of the MFMA.  A credit control and debt collection policy was not maintained and implemented as required by section 95(b) of the MSA.  The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which recognised revenue when it is earned and accounted for debtors as required by section 64(2)(e) of the MFMA.	72  73  74  75	A service provider to be appointed on risk basis to follow up and collect long outstanding debt, ensure that council bill for services rendered on a monthly basis	N. Venter	Appointment: 29 February 2012		
68	Asset management	The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained a management, accounting and information system which accounts for the assets of the municipality as required by section 63(2)(a) of the MFMA.  The accounting officer did not take all reasonable steps to ensure that the municipality had and maintained an effective system of internal control for	76  77	Council's properties will be verified and measures implemented to ensure the accounting for council's assets.	N. Venter	31 May 2012		

# KOU-KAMMA MUNICIPALITY: AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	Par No.	ACTIVITY/ACTION TO RESOLVE	REPORTING		PROGRESS	
					Responsible Person	Due Date/frequency	Report date	Status
		assets (including an asset register) as required by section 53(2)(c) of the MFMA.						



# KOU-KAMMA MUNICIPALITY: IT AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	ACTIVITY/ACTION TO RESOLVE	REPORTING	
				Responsible Person	Due Date/frequency
1	<p>There is no formal, agreed upon, documented long-term, medium-term or short-term plan for the Information Technology (IT) function.</p> <p>The IT function within the municipality may not effectively address its strategic objectives. IT opportunities may fail to be capitalised upon, which may cause a loss in service.</p>	<p>The long and medium term IT strategy should be documented and approved. The strategy should provide the framework for developing information systems to complement business plans and enable the municipality to meet its long-term goals and objectives.</p> <p>This plan should be discussed, documented and authorised by senior management in order to address such key issues as:</p>	<p>IT Action Plan needed to be developed.</p> <p>Hardware requirements</p> <p>System software requirements</p> <p>Communications</p> <p>Application development</p> <p>Budgeting</p> <p>The level of redundancy required (emergency procedures and contingency plans).</p> <p>Staffing requirements for both manpower and skill levels</p>	S Kona	March 2012
2	<p>There is an inadequate number of electricity supply plugs server in the server room resulting in an extra lead being accessed from the ICT Manager's office next door. The lead is fed through the doorway and it is thus not possible to close the door.</p> <p>The electric cable through the door stops the door</p>	<p>Additional plugs should be installed in the server room to allow the door to be closed as well as reduce the possibility of fire.</p>	<ul style="list-style-type: none"> <li>Additional plugs added to the server room.</li> <li>New air conditioner needed for cooling.</li> <li>Remove window from Server room</li> <li>Fire extinguisher needed</li> <li>3 more servers needed for storage purposes</li> </ul>	S Kona	N/A



# KOU-KAMMA MUNICIPALITY: IT AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	ACTIVITY/ACTION TO RESOLVE	REPORTING	
				Responsible Person	Due Date/frequency
	to the server room from closing leading to a compromise of the climate in the server room. Servers are fragile equipment and require optimum environmental conditions to operate efficiently. Negative environmental conditions may reduce the life of the server and cause equipment failure.  In addition the lack of plugs results in adaptors being used and this increases the risk of fire in the server room.				
4	Inadequate uninterrupted power supply (UPS)	There is only one small UPS in the server room which feeds the internet server. Critical servers like the Promun server are not connected to any UPS device. A sudden break in power can cause data corruption and reduce the life of the hardware	Quotations requested for the UPS	S Kona	Feb 2012
5	Inadequate Environmental and Physical Access Controls over the Conlog Server at the Kareedouw	The Conlog server is situated at Kareedouw in the office of the Revenue Manager. This office is a thoroughfare to other offices in the revenue section and does not have any environmental controls that are required for a server.	3 New Conlo Vending machines have been purchased for coldstream and Kareedouw and awaiting installation from Conlog	Conlog	N/A
6	No formal disaster recovery plan	A formal disaster recovery plan (DRP) is important to ensure the continuity of critical application processing and IT services and to	An SLA has been signed with Telkom addressing the Offsite backup and 3 <sup>rd</sup> party Login/Access. This project is in progress.	S Kona	Feb 2012

# KOU-KAMMA MUNICIPALITY: IT AUDIT REPORT ACTION PLAN 2010/11

No	CLASSIFICATION	AG Exception/Finding	ACTIVITY/ACTION TO RESOLVE	REPORTING	
				Responsible person	Due Date/frequency
		minimise the economic impact of an extended disruption of IT services in the event of a disaster.			

